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THE BANKER

A Journal of International Banking

Vol. XXVI. No. 89

Contents Include

THE WORLD ECONOMIC CONFERENCE
THE BANKING SYSTEM OF SPAIN
By L. J. H. DARK
BANK FOR INTERNATIONAL SETTLEMENTS
UNITED STATES BANKING
FRENCH BANKING
GERMAN BANKING
SOUTH AMERICAN BANKING
SOME NATIONAL PROVINCIAL BRANCHES
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THE
BANKER

VOL. XXVI June 1933 No. 89

MR. LEON FRASER
(President, Bank for International Settlements)

A Banker's Diary

Mid-April—Mid-May

The Money Market

MONEY has remained very easy and plentiful, and recent events in the United States and on the Continent have had very little effect upon rates. "Hot" Treasury bills have been quoted consistently at $\frac{3}{8}$ per cent. during the period under review, while May and June Treasuries were dealt in at as low as $\frac{1}{4}$ per cent. The clearing banks have continued to charge 1 per cent. for their loans to the market, but outside money has been freely available at $\frac{1}{2}$ per cent. and less, and it is believed that bill-brokers have paid off more of their fixtures at the clearing banks and have substituted outside loans. The decline in the clearing banks' call loans, as shown in their April statements, and the increase in their cash lend some support to this view. The average tender price of $2\frac{1}{2}$ per cent. Conversion Loan fell slowly during early May in sympathy with the downward trend of the gilt-edged market, and as a result no loan was allotted on May 12.

The Foreign Exchanges

THE month ended May 15 has been an eventful and anxious period. It began with the voluntary suspension of the gold standard by the United States, followed by the relapse of the dollar to $3·90. Then came the passage of the American Farm Relief Bill, with its new clause giving the President powers to adopt an inflationary policy, and speculative sales and general nervousness drove the New York rate for a few days to over $4. A recovery to under $3·90 followed, and the position has become steadier, though the course of the exchange is determined largely by political considerations. Nervousness has also affected the chief Continental exchanges, and it is no exaggeration to say that sterling is the only currency which has preserved its stability. The fact that the French Treasury had to raise a loan in London did not inspire confidence, but the actual transfer of the

funds naturally helped the franc. Rumour, too, has been busy with both the Dutch and Swiss exchanges, for reports of an impending suspension of the gold standard by both countries led to heavy selling of both spot and forward exchange, while substantial gold shipments from both countries have been necessary.

The Exchange Equalization Account

In his budget speech, the Chancellor of the Exchequer announced that in view of the experience gained since the inception of the fund, it had been decided to increase the size of the Exchange Equalization Account by £200,000,000; and legislation embodying that decision has since been passed. The Chancellor was careful to add that the decision to increase the fund was taken prior to the American suspension of the gold standard on April 19, and so had no connection with that event. At the same time its implementation shows that the Government still feel control to be desirable, and also suggests that at times during the past year the resources of the fund were placed under some strain. It may also mean that henceforward attempts will be made to smooth out more than minor fluctuations in the exchanges. On the whole the decision is to be welcomed, as being calculated to promote the stability of sterling, but we would add one word of warning. Recent reports suggest that a similar fund may be set up in New York by the American authorities, designed to regulate the course of the dollar. If so, co-operation will be needed to ensure that the two funds do not pull against each other, to the mutual destruction of both. The American suspension of the gold standard does, in fact, bring out in sharp relief the need for international monetary co-operation along lines such as those suggested on a following page.

The French Banking Credit

Our Paris correspondent discusses elsewhere, from the French angle, the credit granted to the French Government by a group of London banks, but it is useful to add the British point of view. This can be stated very simply. In London, the credit was regarded as an ordinary banking operation carried through upon terms mutually satisfactory to lender and borrower. The period for which the credit is to run is three months, the credit

being renewable at the borrower's option for a further three months. The rate of interest is 2½ per cent., which compares very favourably with the ⅜ per cent. now obtainable upon British Treasury bills. It is hardly legitimate to contrast this rate with the high rate charged on the British Treasury's Paris credit in 1931, for monetary conditions are now altogether different. As this operation did not involve a public issue of funds upon the London market, it did not fall within the terms of the embargo upon foreign loans, and so no official sanction was needed. At the same time it may be presumed that the British authorities were made cognizant of the transaction and raised no objection. The transfer of the funds would, indeed, facilitate any operations by the British control designed to check an appreciation of the pound against the franc.

April Clearing Bank Averages

With the termination of the spring quarter with its heavy revenue collection, clearing bank deposits were free to resume their upward trend, and as a result the April returns of the ten clearing banks show total deposits of £1,930·4 millions, against £1,925·2 millions in March. Deposits for April, 1932, were £1,680·5 millions. Bank cash showed a relatively greater increase from £207·0 millions in March to £218·7 millions in April, and as a result, the ratio of cash to deposits rose in April to 11·3 per cent., whereas between 10 and 11 per cent. is generally the ratio. Simultaneously, call money has fallen from £108·7 to £106·2 millions. One possible explanation of these movements has already been suggested, but the rise in the banks' cash ratio also implies that the banks are not quite so anxious as usual to expand their earning assets up to their full limit. The low rate earned by Treasury bills accounts for a further decline in discounts from £348·1 to £337·8 millions, and advances fell slightly from £766·2 to £765·7 millions. To replace the reduction in their bill portfolios, the banks increased their investments from £510·2 to £517·2 millions, and it may be added that a year ago investments only amounted to £287·5 millions, and that last April they equalled 26·8 per cent. of deposits. Even allowing for the fact that a large proportion of the banks' investments are short-dated securities, the

banks now hold a fair stake in the maintenance of gilt-edged prices at about their present level.

April Overseas Trade

WHILE the variation in the date of Easter renders it difficult to make any valid comparison with last year, the April trade returns were rather disappointing. Imports for April, 1933, at £51·2 millions, were only £2·4 millions below those of April, 1932, whereas exports at £26·4 millions registered a decline of £8·4 millions. As re-exports at £3·5 millions showed a decline of £1·1 millions, there was a deterioration of £7·1 millions in the adverse trade balance. Too much cannot be deduced from the results of a single month, especially when Easter was a disturbing factor, but it is beginning to look as if the temporary advantage gained for our trade balance first by the suspension of the gold standard and then by the tariff may be nearing its end. In any case, these returns show that our greatest need is the restoration of the purchasing power of our overseas markets.

The Budget

THIS year's budget was one of the most uninteresting of recent years. The Chancellor gave way to the expansionist school—or rather to the pressure of hard facts—to the extent of making no provision for debt redemption, and he also gave some respite for this year alone to the income tax payer by making the tax payable in two equal half-yearly instalments in place of demanding three-quarters of the tax at the New Year. He also reduced the rate of the beer duty, which by common consent had become too high to be remunerative. Apart from this he did nothing to meet the pleas of those who argued that a reduction in direct taxation would stimulate trade, and so, among other advantages, restore the productivity of the main sources of taxation. The chief criticism of the budget, which superficially is sound, is that in it the Chancellor is playing for time or rather for an improvement in trade. If he gets it, well and good. Otherwise, he must face a further falling off in revenue next year, and will be driven to the hard choice between further economies of a kind which may destroy purchasing power and retard enterprise, and the adoption of the suggestions made by Mr. Keynes and others that the budget should

be left temporarily unbalanced on the ground that such a course of action will stimulate a revival in trade. As we have said, it is a hard choice, but the only escape from it lies in a successful outcome to the World Economic Conference.

The World Economic Conference

THE publication of the June issue of THE BANKER, containing its annual international banking review, coincides very opportunely with the opening of the World Economic Conference, and so our main task this month is to review from the banking angle some of the major problems which will come before the Conference. Our discussion is governed and limited by the well-known fact that it is a banker's function to dispose of money and credit. He collects money for safe custody from those who have a surplus, engaging at the same time to repay it to its owners as and when they so desire; and he makes that money available to those who are in need of credit, whoever and wherever they may be, always provided that he can obtain a reasonable assurance that the principal and interest of his loans will be paid to him when due.

If he is to conduct his business upon reasonable lines, he needs two main assurances from the governments of the world. The first is that money will remain reasonably stable in value, whether such value is given the broader meaning of purchasing power or the narrower meaning as defined by exchange rates. The second is that money shall be enabled to move freely about the world, so that he can grant credit safely when it is most needed, and can recover his money when due.

It follows that the two tasks before the World Economic Conference in which bankers are most interested are those of world currency stabilization upon a basis which will permit production and commerce to proceed along remunerative lines, and the removal or at least the relaxation of the numerous barriers that now lie in the way of the free movements of both goods and money. It is to these two vitally important questions that we propose to confine this discussion.

The events of the past twelve months, culminating

in the American suspension of the gold standard, have made currency stabilization an even more vital matter than it was before. The chief danger before the world to-day can be summarized in a few sentences. It is nothing more nor less than a competition between nations, in which each tries to depreciate its currency the most. In reality the race began five years ago, when the new French franc was fixed at Frs. 124.21 to the pound. It may be admitted at once that the selection of this particular parity was not an act of deliberately excessive depreciation by the French, for they had to make what was virtually a shot in the dark, and they could not tell at the time that they were over-shooting the target. Still the actual fact remains, that they did go too far in their depreciation.

Next came Australia, when the pound was reduced to a discount against sterling at the end of 1930, and then came the British suspension of the gold standard. Admittedly, too, our action was involuntary, and admittedly when we went back to gold in 1925 we over-valued our pound. Still once more the fact remains that by going off gold in 1931, we secured through depreciation at least a temporary advantage in the world's markets.

Since then events have followed thick and fast. The development of black markets in Central Europe, the South African suspension of the gold standard at the end of 1932, the depreciation of the New Zealand pound a month later, followed by Denmark's immediate reply, can all be regarded as subsequent moves in the depreciation race. Finally has come America's departure from gold, representing a deliberate and entirely voluntary act of policy, designed to facilitate a rise in dollar commodity prices, a reduction in the burden of dollar debts, and a recovery of lost export trade.

The progress of this race has led to a definite hardening of world opinion in favour of some form of gold standard, for many of those who a year ago welcomed the comparative freedom then enjoyed by sterling, now feel that the controlling influence of gold might be preferable to a world of unbridled currency licence. Simultaneously the advocates of the gold standard have been moderating their views, and are content to say that the gold standard

should only be restored if and when conditions are such that it can be successfully operated. Reading between the lines, there is little difference between declarations of the British Government and last summer's resolution of the Board of the Bank for International Settlements, which uses such qualifying words as " in order to render possible a general return to the gold standard, it is first necessary that measures should be taken by international collaboration and national effort to restore equilibrium in the economic and financial structure of the various countries."

Thus it may be taken for granted that the World Economic Conference will discuss the general restoration of the gold standard, both as regards the actual plan of campaign and the necessary and precedent conditions; and bankers will welcome such discussions. Here one or two words of warning are necessary. An obvious proposal is that of an agreed devaluation of different currencies in varying proportion in terms of gold. Thus the gold content of the pound might be reduced by one-half, that of the dollar by one-third, and so on. Apart from the difficulty of obtaining a general agreement as to the varying proportions, it must be remembered that in so far as a country's internal affairs are concerned, devaluation in terms of gold has two direct and immediate consequences, and two only. All that happens the morning after devaluation has taken place is that the price of gold is raised in the same proportion and also the value of the central bank's gold reserves. The only immediately secondary consequence is that the central bank makes a profit out of the appreciation of its gold reserves, but this profit will probably be taken over by the Governments and applied to the reduction of the Government's debt to the central bank.

It is true that the par of exchange with foreign currencies will also alter, though if other countries are also devaluing, the alteration may not be very much. But it by no means follows that the new pars of exchange will differ greatly from the present current rates of exchange.

Apart from the stimulus given to gold mining—and this may be neutralized by alterations in the par of exchange—all that immediately happens is the increase in

the central bank's gold reserves. It still remains for the country to make use of that increase. The central bank has still to expand commercial bank cash to correspond to the new reserves, the commercial banks in turn have to find credit-worthy borrowers to absorb the new credit they can create with their new cash, and the trading world has still to be able and willing to absorb that new credit. Admittedly the increase in gold reserves, with its prospect of higher prices, would create conditions favourable to fresh enterprise and the absorption of the new credit, but there are obvious places in the sequence of events where a hitch could occur, especially as some rise in prices must first take place, in order to make prospective borrowers credit-worthy. This initial rise can only be due to psychological causes—that is to an anticipation of a forthcoming expansion of credit. The real condition for success is that the Government, bankers and traders should all be eager for an expansion of credit and a rise in prices. Any one of the three, by adopting a negative attitude, can block the movement. Furthermore, if other countries devalue more, the exchanges will *appreciate* and so check and discourage an expansion in that country's trade. Thus while general devaluation would probably prove successful in raising prices and reviving trade, it is by no means the simple and certain cure that some people believe it to be.

The other warning is that it will prove an extremely difficult matter for an International Conference to agree upon the degrees of devaluation to be adopted by the various countries. Even so apparently simple a problem as the natural rate of exchange between two countries is extraordinarily hard to solve in practice. Granted that the aim is to place them upon an equality, what is the most equitable basis of comparison? Prices of primary products in the two countries? or wholesale prices generally? Or retail prices and the cost-of-living? Or wages? Or general production costs? It is hard enough to make any of these calculations in an accurate and acceptable form, even if agreement could be reached as to which should be selected.

On the other hand, as our own experience of 1925–31 shows, it is an easy matter to determine over a period of years whether a currency is under- or over-valued, and

for these reasons we are forced, rather unwillingly, to the conclusion that devaluation must be a slow process, only finally completed after a period of trial and error. What we have in mind is that we in England might announce that as from a given date, within the near future, the Bank of England would be prepared to buy and sell gold at a fixed price, which, for the sake of argument, we may take at about £6 per ounce. This price would not be fixed permanently, but would be subject to alteration after a lengthy period when fresh experience had been gained. Other countries now off gold would be invited to fix their own price in the same way, which again would be subject to alteration at a later date, while even the countries still on the full gold standard might be invited to alter their present price of gold if they so desired.

The prices initially chosen by the various countries should be arrived at in joint consultation at the Conference and should be announced simultaneously. If and when any country thought an alteration desirable, its representatives might first bring the matter forward for private discussion at one of the monthly Board meetings of the Bank for International Settlements, where it should be invited to prove its case and to give the representatives of other nations the opportunity of bringing forward rebutting evidence or even of suggesting simultaneous alterations in their own price of gold. It is not suggested that the Board of the Bank for International Settlements should have a definite right of veto, for in the last resort each country should be free to announce a change. Still, the real object behind this suggestion is that changes should only be made when they are obviously necessary, and that as far as possible they should be made in such a way as to promote international monetary co-operation rather than a succession of frequent and competitive changes in the price of gold expressed in the currencies of different countries.

The other important question to be discussed by the World Economic Conference is that of the freeing of international trade. Here it is necessary to differentiate between tariffs, quotas and other restrictions imposed with the object either of producing revenue or of protecting certain industries; and restrictions upon imports or exchange dealings imposed to rectify a country's balance

of payments or to safeguard its gold or foreign exchange reserves. In so far as purely protective trade restrictions are concerned, it must be recognized that there exists here some conflict between the needs of particular industries and those of commerce and finance as a whole. Evidence of this is to be found in a very limited sphere in the protests evoked from certain trades by the recent British trade agreements with Germany, the Argentine, and the Scandinavian powers. Bankers here, with their interests and commitments in world trade and world finance, will have no difficulty in making up their minds. Whatever may be the legitimate needs of this or that industry, the needs of the whole world must over-ride them. It is perfectly correct for some *ad hoc* body, such as the Import Duties Advisory Committee in Great Britain, to say that a particular industry is entitled to a given duty, and for the Government to adopt that recommendation, but if and when that duty has to be modified or abandoned as part of that Government's contribution to a general removal of existing obstacles to world trade, then banking opinion will whole-heartedly endorse the abandonment or reduction of that duty.

We think it desirable to insist upon this point, because there is little doubt that every Government represented at the World Economic Conference will be subjected to considerable pressure from home interests not to make specific concessions which may be harmful to certain industries. Once Governments begin giving way to such pressure, this side of the Conference's labours is bound to end in failure, and with it will disappear the best chance of liquidating the present mass of international commercial indebtedness. It is essential that Governments should realize, before the Conference meets, that they all have concessions to make, if trade barriers are to be removed, and that these concessions must be made even if they apparently harm certain interests, or even if they involve the modification of existing trade agreements.

On the question of exchange and other restrictions designed to safeguard a country's monetary stability, it may be admitted at once that they are at the best a necessary evil. Their removal, however, must be part of a general scheme, including the relaxation of general trade barriers—so that a country can *export* freely—

general monetary stabilization, and the adoption of steps calculated to stimulate a rise in prices, so that a country can earn enough from its exports to permit it to meet its current external indebtedness. It is at this point, as at many others, that the problems of monetary stabilization and the freeing of international trade are inter-linked to the point where both must be solved simultaneously.

Finally there is one important point of principle which must be discussed at the Conference. It is, how far is the world going back to the old *laissez-faire* doctrine, which holds that trade should be left free to roam where it will, and production and prices be left to the mercy of supply and demand? Or how far are we to adopt the new ideas of making production remunerative by regulating and canalizing the world flow of trade? So long as currencies are free to fluctuate, and in their fluctuations overthrow business calculations, and depress prices and markets, there is much to be said for the new theory of regulation: and indeed not the least merit of the new British trade treaties is that they promise us an area of regulated and ordered trade based on a controlled price-level, irrespective of what happens to currencies outside that area. This, indeed, is why the quota is a more powerful and certain regulator than the tariff. Yet, if the Conference succeeds in the task of stabilizing the leading currencies of the world, is there still need for quotas and other machinery for keeping production and commerce within profitable channels? Or can we safely return to the old era of unregulated production, when the survival of the fittest was Nature's only means of control? This is one vital question which the Conference must answer, for on it depends the Conference's attitude to trade barriers.

In conclusion, it may be emphasized that the Conference labours will not be completed within a month and for this reason alone the agreement upon a tariff truce is to be welcomed, for it saves world trade from fresh barriers. So long as the Conference is in session, the main duty of all of us will be to exercise patience, for it must not be supposed that the Conference will proceed without a hitch or even without successive threats of breakdown. For those actually engaged in the Conference, the main need will be for them to keep

their heads above the mass of detail with which they will be faced and to envisage their real goal. This is nothing less than the revival of the trade and finance of the world and its direction into safe and profitable channels.

The Banking System of Spain

By L. J. H. Dark

THE banking system of Spain represents the attempt made by the successive governments since the war, completely to remodel the system as it existed before 1914 and to create an organism which should be vigorous, progressive, and capable of acting as a vital factor in the economic development of the country. This policy has been carried out in two ways :—

(1) By the creation of special credit institutions to satisfy special credit needs which private enterprise unaided would be unable to fulfil.

(2) By the introduction of a complete code of banking legislation which was to serve as the basis for the development of a new and vigorous banking system.

A permanent central commission consisting of representatives of the State and the banking community was to be responsible for the administration of the banking code and for the actuation of the banks themselves.

The first of the credit institutions, although a pre-war creation of the State, has so increased its field of action since the war, that it may be classed with the post-war institutions. This is the *Banco Hipotecario*, which finances mortgage-land operations especially with regard to building operations. The loans are made for a long period—up to 30 or 40 years—the mortgages taken as security serving as the basis upon which the bank issues "cedulas" or bonds at interest, redeemable after a variable number of years. It has wide powers in the administration of the properties which accrue to it through the realization of the mortgages. A somewhat similar institution is the *Banco de Credito Industrial*, founded in 1920 by the State with a capital of 37,500,000 pesetas. It has as its *raison d'être* the financing of

general monetary stabilization, and the adoption of steps calculated to stimulate a rise in prices, so that a country can earn enough from its exports to permit it to meet its current external indebtedness. It is at this point, as at many others, that the problems of monetary stabilization and the freeing of international trade are inter-linked to the point where both must be solved simultaneously.

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industry at long term—up to fifty years—for such purposes as the installation of plant, construction of factories, etc. Of every loan made, the State contributes 80 per cent. and the bank 20 per cent., the funds being obtained by the issue of bonds up to a maximum of 150,000,000 pesetas. Unfortunately, the bank has not realized the hopes entertained of it. In general it seems that its terms for loans are more onerous than those charged by the private banks and, on account of the elaborate process of reference to various Government departments to which every loan is subject, applications for loans are sometimes held over for as long as a year. The total of the loans made to industry at long term is put as 100 million pesetas.

In 1925 the State founded the *Banco de Credito Local*, which had as its principal function the granting of credit on good terms to local corporations—*Ayuntamientos* and *Diputaciones*—on the security of their rates and taxes. Its capital is 25,000,000 pesetas, and funds for the loans are obtained by the issue of cedulas (bonds) to bearer, which rank as public securities and are officially quoted. The bank has been very successful, the average volume of its loans fluctuating around 300,000,000 pesetas. In 1928, the State founded the *Banco Exterior de Espana* with a capital of 150,000,000 pesetas, with the express object of financing the foreign trade of Spain which had become the monopoly of the foreign banks domiciled in Spain. This bank has never been a success, the reasons for its failure being due partly to its connection with the Dictatorship, and partly to unprogressive management. The management has, however, recently been changed, and it seems that the bank is playing an important part in alleviating the financial embarrassment of exporters by taking over their foreign credits. Finally, mention must be made of the proposed *Banco Agrario* which, with a capital of 150,000,000 pesetas and the faculty of issuing bearer bonds, is to finance the law of Agrarian Reform by supplying credits to the peasant farmers through the medium of provincial " juntas " or committees.

From this account it will be seen that Spain is equipped with a series of specialized credit institutions which will be able to play a very important part in the future economic development of the country.

The causes leading to the passing of the *Law of Ordenación Bancaria* are to be found in the condition of the pre-war banking system. Before 1914, the Bank of Spain was the only credit establishment which could in any way be called national. The other banks, with the exception of certain banks in Madrid which were tending to develop on the lines of the English joint-stock banks, consisted of several thousands of small and, by reason of their inadequate resources, often unstable, private banks. There was no cohesion between the individual units of the banking system. This situation was an obstacle to the economic development of the country, which is essentially dependent upon the existence of a sound credit system.

After a long and patient investigation into the characteristics of the leading banking systems of the world, the *Law of Ordenación Bancaria* was passed in 1921 (since modified in 1927 and 1931). In this Act, the attitude is firmly taken that banks are public servants, subservient to the general welfare of the community, and as such should be governed by regulatory measures destined to prevent the abuses that might occur if the functioning of the banks were left entirely uncontrolled. Moreover, to ensure the fulfilment of these regulations a permanent commission was set up, called the *Consejo Superior Bancario* and consisting of a chairman nominated by the Government and private bankers elected by a system of suffrage from amongst the banks and bankers constituting what is called the "banking community of Spain."

The Act is divided into two parts, Article I dealing with the relations between the Government and the Bank of Spain, and Article II dealing with the regulations of the private banks. Banks are divided into two categories, official banks, i.e. banks holding charters from the State and with which the Ordenación is not concerned, and private banks, which are subdivided into banks inscribed in the State commissary (i.e. with the office of which the chairman of the *Consejo* is the head), and banks non-inscribed. In reality, this distinction is more apparent than real. Membership, which involves submission to the rulings of the *Consejo Superior Bancario*, is voluntary, foreign banks alone being excluded by law;

hence, strictly speaking, the banks non-inscribed are not concerned with the provisions of the law. By virtue of certain decrees, however, the *Consejo* has the power of extending the rules applicable to inscribed banks to all banks operating in Spain. This results in the fact that the non-inscribed banks are subject to the same limitations as the inscribed banks while enjoying none of their privileges. The inscribed banks receive the important privilege of receiving a bonus on rediscounts and loans made with the Bank of Spain, i.e. if the discount rate for private individuals and non-inscribed banks is 5 per cent., that for the inscribed banks will be 4 per cent. In practice, therefore, the majority of the Spanish banks are inscribed; only the foreign banks and those private banks which for any reason do not wish to submit themselves to the annual inspection of books by the Bank of Spain on the behalf of the *Consejo* remaining non-inscribed.

The *Consejo Superior Bancario* has two main functions. The first we may call miscellaneous functions, e.g. compilation of complete banking statistics for the whole of Spain, formulation of a standard balance-sheet for all banks and the duty of acting as economic adviser to the Government. The second and more important function is the administration of the regulations governing the actions of the private banks. These regulations are illuminating as illustrating the degree of thoroughness with which the legislation has been evolved.

Banks are to be organized in banking zones, each zone having a town as capital in which a clearing house is to be set up. The *Consejo* has, therefore, organized the banks into three zones corresponding to the banking associations which were already in existence. First there is the Zone of the Centre, with its capital at Madrid, this group comprising the large joint-stock banks which devote themselves mainly to pure deposit banking. Next comes the Zone of the North, with its centre at Bilbao. These banks are "mixed," i.e. combine deposit banking with subscriptions for loans, especially public loans. It is in this region also that the practice of granting credits to commerce is made by overdraft on current account rather than by discount. Finally there is the Zone of the North-East, with its centre at Barcelona. These banks are the "bancos de negocios" par excellence, and are

for the most part banks devoting themselves to the financing of industry by the issue and flotation of loans on the system common to the " banques d'affaires " in France. Clearing houses have been established in these three towns and also in other provincial centres. The real significance of this concentration of banks into three zones is the great impulse that it has given towards unifying the interests of the banks.

In connection with this provision the permission of the *Consejo* and the Government is now required for every new bank or banker wishing to commence operations, and for every bank that wishes to open branches in another part of the country. The object of this provision is to prevent the foundation of unstable institutions which might endanger the solidarity of the existing banks.

The *Consejo* must fix the minimum relation between capital and reserves and the amount of current credit accounts. By an order of July 12, 1923, it was enacted that the volume of current credit accounts in the case of banks should not exceed ten times the sum of capital paid up plus reserves and a half of the capital subscribed but not paid up, and in the case of bankers ten times the proper capital plus reserves and a half of the private capital employed.

The *Consejo* is to fix the *maximum* rate of interest payable on deposits, bonds, etc., and to fix *minimum* rates of interest to be charged for commissions of all kinds, e.g. collection of bills and coupons. The present maximum rates applicable to deposits are as follows :— sight, $2\frac{1}{2}$ per cent.; 8 days notice, 3 per cent.; 3 months notice, $3\frac{1}{2}$ per cent.; 6 months notice, 4 per cent.; 12 months notice or more, $4\frac{1}{2}$ per cent.; savings deposits, $3\frac{1}{2}$–4 per cent. The minimum rates for commissions are altered from time to time, and are far too detailed to give here.

It is seen, therefore, that the practical result of this regulation is the virtual suppression of all rate-cutting, although it appears that evasion by certain of the less scrupulous banks is not uncommon.

The *Consejo* is to regulate the proportions between immediately realizable assets and demand liabilities so as to ensure the maximum liquidity of each bank

considered in relation to prevailing credit conditions. Actually, however, it appears that the *Consejo* makes suggestions in this direction rather than definite commands, although this provision has little application at present, as the banks, on account of the depression of business and the fear of a renewal of the panic of 1931, keep a ratio of 30 per cent. on the average between their liquid assets and demand liabilities.

Finally the Consejo may suggest to the Minister of Finance any measures which may strengthen the organization of the banking system.

What has been the result of this code of legislation, this attempt by the State to mould the banking system into a definite shape? It is still too early to form a definite judgment since the system has only been in operation since 1923, but the following points may be noted.

In the first place, it is only in the last few years that the *Consejo* has exercised any real control over the policies of the banks. Although infractions of the rules of the law are punished by heavy fines, yet it seems as though a certain amount of laxity has been allowed which will not in the future be permitted. Hence, the effects of the control by the *Consejo* have in all probability not yet reached their maximum.

In the second place, the legislation has had the somewhat unexpected result of tending to increase the specialization of functions between the banks. The most interesting development in the Spanish banking system in the last two or three years has been the growing importance of the Bank of Spain, through its local branches, in the commercial bill market. On the other hand, the native Spanish banks have tended to neglect discount banking for other more profitable operations. Thus the banks of the Centre, which formerly concentrated their attention on the discounting of bills up to 90 days, now hold as their largest asset their portfolio of public funds (Government securities, etc.). The banks of Bilbao also hold as their largest assets public funds and industrial securities, discounts and advances having declined 25 per cent., while the banks of Catalonia have almost entirely abandoned the purely commercial banking to the Bank of Spain and the various foreign banks domiciled in Barcelona.

The general effect of this legislation is shown in the strong and steady progress of the banking system. Although the average capital is still very low—20,000,000 pesetas (£500,000 at to-day's rate of exchange)—yet it is in relation to the stage of economic development of the country. Moreover, there is a definite tendency towards amalgamation amongst the smaller banks and towards the creation of a network of branches by the larger joint-stock banks, especially by the Banco de Bilbao and the Banco de Vizcaya. It is probable therefore, that the present number of banks with only small capitals, now amounting to about 250, will be largely reduced in the course of a few years, and a system approximating more to the English system, although retaining its distinctive characteristics, may evolve.

What criticism can we offer of the Spanish Banking System? It must be remembered that it is still only in the chrysalis stage of development and is therefore more pliable than the majority of the other European systems. It is precisely in this malleability that its future power of development lies.

The Consejo Superior Bancario has a unique opportunity to make of its banking community a united and harmonious unit, both by eliminating those factors which are a drag upon general progress, and by instituting new methods and organizations which will strengthen the organism as a whole.

There are two directions at the present time in which the *Consejo* could begin its work of reconstruction and planned development.

The first lies in the remedying of the anomalous attitude of the Bank of Spain with regard to the cash balances held by the private banks. The banks are forced to keep a far larger part of their resources in the unproductive form of cash than is necessary, on account of the facts that the Bank of Spain does not keep open after 12 noon to allow the banks to pay in their surplus notes, and that, as the Bank of Spain shows reluctance in giving small notes in exchange for large ones, the banks, in order to supply the requirements of customers for small change, are obliged to hoard all the small notes that are paid in at their counters. This situation should be dealt with by the *Consejo*.

The other reform which is essential, is the creation of an organized money market in each of the three banking capitals, Madrid, Barcelona, and Bilbao. At the present time, the opportunities for placing money at very short term in the money market are practically non-existent. Operations between banks are confined to operations arising out of " collections " (i.e. bills and cheques sent for collection through other banks), the idea being prevalent that for a bank to demand a loan at short notice for temporary purposes from a competitor would be an infallible indication of financial difficulties. Hence the only method at present available for obtaining funds for temporary purposes is to have recourse to the Bank of Spain by means of rediscounts or pledging of securities. This lack of an organized money market—which could be remedied by the growth of mutual confidence—results, in times of temporary needs of credit by a few banks only, in an unnecessary expansion of credit by the Bank of Spain.

Despite these imperfections which are due to its immature stage of development rather than to inherent defects, the Spanish Banking System represents a successful and in many ways remarkable combination between private enterprise on the one hand and State directed development on the other.

International Banking Review

THE banking history of the past twelve months differs considerably from the previous period. The year ended June, 1932, was characterized by a world-wide banking crisis that affected almost every country. There was a wave of bank failures, and currency conditions became chaotic. The year ended June 1933, on the other hand, shows much less one-sided a picture. It began with a strong improving trend in the sphere of both banking and currency conditions, and it appeared as if the crisis year of 1931–32 would be followed by a year of reconstruction and readjustment, if not actual recovery. Nor were these hopes altogether disappointed as far as Europe was concerned. The European banking situation has undergone a remarkable

improvement during the past twelve months. While during the twelve months that followed the Creditanstalt crisis, it was hardly possible to open a newspaper without reading about the failure of some continental bank, during the second year of the financial crisis, failures in Europe became very rare indeed. Although general economic conditions remained as depressed as ever, in most European countries the banks have adjusted themselves to the new situation. The weaker units were eliminated through failure, liquidation or amalgamation, and those which survived were able to stand the strain of the economic depression. Although the adverse conditions necessitated during the past year drastic cuts in banking dividends—in many cases they had to be passed altogether—and a number of banks had to write down their capital, on the whole, European banking during 1932–33 showed remarkable resistance and adaptability.

The British Empire.

Banking in Great Britain and her Dominions and Colonies has remained all along most remarkably immune from the evil influences of the crisis. Although the British Empire has suffered as much as any other part of the world through the economic depression, her banking systems gave evidence of an incontestable superiority as compared with the banking systems of most countries. As far as the past year is concerned, there was not a single bank failure of any importance in any part of the Empire. In the Motherland the only difficulty of the banks during the past year was their increasing liquidity, which confronted them with new problems. Their advances dropped by something like 25 per cent. below the highest point reached in 1929. This, together with the official cheap money policy, has increased their liquid resources to no slight extent; and it was by no means easy for them to find remunerative employment for these resources.

The same phenomenon, to a less degree, was noticeable in Dominion banking. In Australia, deposits increased, though this was due to the official policy rather than to any normal growth of saving or accumulation of business funds. That the surplus was not actively employed is

shown by the decline of advances and by the fact that the whole of the increase was accounted for by an increase of time deposits. While the earnings and dividends underwent a further fall, the position of the banks has decidedly improved. The same may be said to hold good about banking in New Zealand. Canadian banks were confronted with greater difficulties than those of any other part of the Empire. Their deposits showed a moderate contraction, possibly because the authorities sought to some extent to follow the deflationary tendency of the gold countries rather than the expansionist tendency of the Empire. Banking in India was under the influence of cheap and plentiful money supplies, caused largely by the recircularization of considerable amounts of hoarded gold.

The United States.

In contrast with Europe and the British Empire, the banking year in the United States presents a rather gloomy picture during the period under review. While the banking crisis passed its climax in most countries in 1931 or 1932, it was not until 1933 that the banking difficulties of the United States reached their culminating point. The year 1932–33 began in the United States, as elsewhere, with very hopeful signs. During the third quarter of 1932 there was, indeed, every indication of an all-round improvement. Towards the end of the year, however, the recovery was checked by the depreciation of sterling, and during the first quarter of 1933 a crisis of unprecedented gravity broke loose. Although the history of American banking is rich in exciting periods, the past few months will remain of outstanding interest for generations to come.

After the wave of bank failures during 1931 and the first half of 1932, the second half of 1932 was a comparatively quiet period. The run on the banks ceased completely, and the monetary situation strengthened through the recovery of a great part of the gold lost during the earlier part of the year. It became evident later, however, that the improvement in the banking situation was achieved largely by artificial means, through the support granted to a large number of banks by the Reconstruction Finance Corporation. The

publication of the details of this support on the insistence of politicians became, in fact, the immediate cause of the subsequent crisis. The list of the banks that received assistance ran into several closely printed pages, and the amount involved rose to billions. The list caused something like a panic among depositors. Although none of the leading New York banks were on the list, and the appearance on the list of the names of some of the important out-of-town banks caused no real surprise, the general impression caused by the publication was disastrous. The public was vaguely aware that many banks were hopelessly immobilized in frozen mortgages, and the publication of the list was the last straw in wrecking the confidence of depositors.

The run began in Detroit in February when, owing to the lack of an adequate spirit of co-operation between the interests involved, it was impossible to prevent the suspension of the leading local bank. This was followed by a general run on all banks in the State of Michigan, which necessitated exceptional measures amounting almost to a complete moratorium. The extent of repayments by banks was limited to 5 per cent. of the deposits. Although a belated support checked the local panic, it came too late to prevent the crisis from spreading over other States. For fear of similar measures of restrictions, despositors in other States began to withdraw their funds, and before long it became necessary to introduce moratoria of varying degrees in practically every State, while the Federal authorities had to introduce similar measures to safeguard the national banks. The panic was aggravated by the impending Presidential change; the outgoing President had not the necessary power and authority to apply sufficiently drastic measures, and matters had to be allowed to drift until March 4, when President Roosevelt assumed office.

The banking crisis produced grave repercussions upon the currency situation. There was a heavy efflux of gold, which again tended to accentuate the panic at home. Hoarding of gold assumed unprecedented dimensions. In the circumstances, the first step of the new President was to place an embargo on gold exports, and to declare a " bank holiday " which lasted from March 4

until March 13. Of the 19,000 banks closed, some 16,000 were gradually granted permission to reopen, though many of them availed themselves of the restrictions on the extent of repayments. The dollar exchange opened at par, in spite of the embargo on gold exports, and it appeared for a short while as if the crisis had passed its climax. Thanks to the draconian measures taken by the authorities, a large part of the gold hoarded by the population was returned to the Federal Reserve banks.

Very soon, however, it became evident that it was premature to rejoice. After several weeks of comparative calm, there was a sudden break in the dollar on April 13, and during the holidays while the European markets were closed there was a weak tendency due to American selling. After the holidays the pressure became accentuated, and on April 19 the gold standard was officially suspended. This move has obviated the revival of the bank panic. Although there were isolated runs on banks in Cleveland and elsewhere, the rise in the price of commodities and equities has to a great extent restored confidence in the banks.

The European Countries.

As we said already, banking developments in Europe were, on the whole, satisfactory during the past twelve months. The contrast between that period and the previous twelve months was particularly sharp in the case of France. It will be remembered that towards the end of 1931 and early in 1932, France experienced a very severe banking crisis, from which even the leading banks did not altogether remain immune. The practice of hoarding, always very popular in France, increased considerably, and substantial deposits were withdrawn from banks of every description. There were a number of important failures, while in some cases actual failure was narrowly averted by eleventh-hour reconstruction arrangements. After the Lausanne Conference, however, there was a pronounced *détente*. The banks have benefited by the moderate improvement in trade noticeable during the third quarter of 1932, and the return of confidence put a stop to further hoarding. It appeared for some time as if the progress towards

disentanglement were definite. It is true that the banks continued to maintain a high degree of liquidity for emergency, but this was not so much through cutting credits, as during previous years, as owing to the absence of demand for credits.

Towards the end of 1932, an unfortunate incident resulted in a relapse. Being anxious to suppress fiscal evasion, the French Government considered it advisable to take drastic steps to that end, and to seek legislative power further to reinforce its measures. As a result, the public began to feel uneasy, and there was a renewal of the outflow of funds, both from the banks to the proverbial stockings and from France to foreign countries —in the first place to London. The attempt at checking this exodus of capital through prosecuting the representatives of a Swiss bank and publishing the list of its French accounts defeated its own object, and has done much more harm than good.

Fortunately for France, the storm centre shifted to the United States in February, 1933, and the flight from the dollar provided the franc a welcome support. The stability of the French banking system was brought into strong relief by the banking crisis in the United States. At the same time, certain financial measures such as the issue of an internal loan and the arrangement of a credit in London, have tended to restore confidence. Although hoarding did not cease altogether it became reduced to tolerable proportions.

The process of readjustment made also further progress in German banking. It is true that the expectations attached to the wholesale reconstruction of banks carried out in the spring of 1932 failed to materialize. Owing to the prolonged depression, the drastic writing down of the capital and reserves of the leading banks proved to be inadequate, and the official support was not sufficient. By the end of the year the necessity of further arrangement to help the banks became obvious. Hence the establishment of a fund with which the banks were entitled to rediscount their frozen credits, on the understanding that they will redeem in a series of years any losses arising from it.

The general banking situation may nevertheless be said to have improved considerably. There were no

noteworthy failures during the period under review, and the banks and savings banks were able to reduce their liabilities to the Reichsbank. At the same time, their external indebtedness has also been reduced to no slight extent, both through repayments under the Standstill Agreements and through other operations. On balance, the year 1932–33 may be regarded as having been decidedly favourable for German banks.

Italy is another country where readjustment has made further headway during the period under review. As practically all the important banks were relieved of their illiquid assets during previous years, there was nothing much left to be done in that direction. The efforts of the authorities were focussed last year upon inducing the investing public to share the burden of carrying these assets. Several Government-guaranteed issues were floated with success, consolidating the arrangements for restoring the liquidity of the banking system.

The declining tendency of interest rates continued, though not to the same extent as in the other leading countries. This was due in part to the Government's requirements for financing public works, which were in part met by attracting deposits to savings banks. Owing to the relatively high interest rates paid by the latter, the banks were unable to lower their rates very much. As it is, they lost some of their deposits which were transferred to savings banks.

In accordance with the general trend, the Bank of Italy has liquidated the greater part of its foreign exchange reserve, giving up the gold exchange standard in favour of a gold standard. The stability of the lira has been maintained without difficulty throughout the year.

The banking situation remained as stable as ever in Switzerland. There was some withdrawal of foreign deposits during the third quarter of 1932, in anticipation of an economic revival, but the pressure caused thereby was moderate. In the autumn the French measures aiming at locating French accounts with Swiss banks caused some temporary withdrawals, especially as they coincided with Communist disturbances. Confidence was soon restored, however, and both Swiss banks and the Swiss currency were well in a position to withstand the

attack that followed the suspension of the gold standard in the United States.

Dutch banking had also an uneventful year. Notwithstanding the adverse economic situation, there were no difficulties. Holland was also able to resist the pressure that followed the American currency crisis.

In Scandinavia the belated effect of the crisis necessitated several reconstructions of secondary importance. In Sweden, in particular, some banks had to bear the consequences of the Kreuger collapse, though generally speaking the rapidity with which the country has got over the consequences of that disaster has surpassed even the most optimistic expectations.

The Danubian States had their banking crisis in 1931–32, and during the past twelve months there was little development for the worse. In Austria, further arrangements had to be made for enabling the banks to recover their position. After lengthy negotiations, a definite agreement has at last been reached between the Austrian Government and the foreign creditors of the Creditanstalt, for the settlement of the latter's Government-guaranteed claims. Conditions both in Austria and Hungary made it impossible to make any payment (other than in blocked currencies) towards the principal or interest of bank debts. In Czechoslovakia a wholesale reconstruction scheme of banks has been carried out, in connection with which there were a number of capital reductions and amalgamations, and the Government had to take its due share of the sacrifices.

Among the Balkan States, Greece had a particularly hard time, but her banks weathered the storm remarkably well. Efforts have been initiated to induce the League of Nations authorities to agree to the amalgamation of the National Bank of Greece with the Bank of Greece. In Turkey, too, both national and foreign banks have stood the test of the prolonged depression remarkably well.

There is very little change in the banking situation in Poland and the Baltic States. Notwithstanding the difficulties caused by their successful effort to maintain their exchanges at par, there have been no new banking difficulties.

The only important event in Spanish banking is the decision of the Banque Belge pour l'Étranger to discontinue

its affiliate, which was taken over by a local bank. This seems to be in accordance with the tendency: during the last few years several foreign banks operating in Spain have either liquidated their interests or transferred them to local banks. In Portugal the firm hand of Dr. Alberto Salazaar has created tolerably good conditions, and banks were able to work reasonably satisfactorily.

OTHER CONTINENTS.

In the Far East, banking conditions remained remarkably satisfactory. This was due in part to the business activity that accompanied the depreciation of silver, and in part to the inflationary symptoms in Japan. Owing to these factors, both national banks and foreign banks operating in the Far East have done better than banks have done in most other parts of the world.

In South America economic conditions remained depressed, but steps towards the readjustment of banking conditions have been taken. In Chile the progress towards the reconstruction of the "Cosach" tends to eliminate the chief obstacle to recovery. In the Argentine, the trade agreement with Great Britain will make it possible to liquidate the blocked British balances. In Brazil, the Banco do Brasil has practically paid off its big sterling credit contracted in 1931.

Matters of Law

(By our Legal Correspondent)

SINCE our last issue there has been little of importance in the Courts affecting banking practice. Even the ordinary litigation of the banks rendered necessary to collect outstanding claims or to enforce securities has been at a low ebb. Before coming to the matters that have been reported and are of interest to the banking and commercial world, our readers would like to know, perhaps, that the decision of the Courts in the *Broken Hill Proprietary* case, recently reported and commented upon in THE BANKER, is now reported at length in the May number of the Official Law Reports just published. The judgments in the Court below and also in the Court

of Appeal are well worth reading. The case, it will be recalled, had to do with the meaning of "£1" in Australian securities and the proper mode of discharge. The reasoning applied by English judges to these questions where contracts appear ambiguous as to what currency should govern payment when compared with the reasoning applied to the cases where it is sought to adhere to "gold" clauses as shutting out a mere currency discharge, show considerable similarity of treatment. The latter class of case has been brought into prominence again and now is agitating financial circles by the American developments.

It is not surprising that the City has been considerably perturbed by the intervention of the United States Government in regard to the mode of payment of "Gold" bonds issued by American concerns. In the light of the new currency conditions in America, the payment of such bonds is to be in the paper dollar, that is to say, somewhere about 15 per cent. lower than the gold dollar. This was reflected in the refusal of paying agents to accept instructions from British holders otherwise than unconditionally for payment in ordinary currency dollar values. That is to say, the carefully drawn clause engaging the debtors to pay in dollars of gold standard value was to be ignored and the coupons to be treated as attached to ordinary bonds to be liquidated in currency value as at due date of payment. One or two banking correspondents have inquired as to the legal effect of this action. Can the British holders sue, either here or in the States, as for breach of contract, or to obtain a declaration that, whatever changes there may be in American currency laws, the gold basis is to be regarded as stipulated for in these bonds? And references have been made to the Belgian gold bond case which was decided in our English Courts only recently. The Court of Appeal judgments in that case were reviewed in our April issue. It is plain from the published comments that there is some confusion as to the legal position, which it is worth while clearing up, at least so far as the *mode* in which lawyers must approach the problem.

In the first place, it has to be realized that securities such as these bonds are in no way different from other contracts. They have to be interpreted by the ordinary

principles of construction. There may, of course, be nice questions arising as to whether they are to be construed by American or English judges and whether a suit must be commenced in America by an English holder. But we should assume that there are scarcely any—if any at all—of these gold dollar bonds that are expressed to be governed by English law as was the case with the Belgian £100 gold bond case. Wherever the contract should be held to have been made—" the place of the contract "—in a case as between the United States and Great Britain, the rules of law applicable to contract are the same. Moreover, both the United States and British Courts although, of course, not bound in any way by each others judgments, mutually pay respect to each others decisions in similar cases. Hence any English decisions bearing on the proper interpretation of gold clauses similar to those in any case coming before the American Courts might be cited as of some value as a guide. Here it is that the Belgian gold bond case—*In re Société Intercommunal Belge d'Electricité*—may be in point. But here again a warning note must be sounded. For the first thing to determine would be: Is the dollar gold clause in issue when read into the bond as a whole such as to render a payment in currency at date of payment a proper compliance with the bond? The natural indignation at the American " breach of contract," as the City regards it, must not blind us to the possibility that if British bondholders litigate the matter the line of argument adopted by the English Courts in the Belgian bond case may be applied, although it appears to be out of line with the commercial feeling in the matter. It may be that the banker is rather favourable to a simple currency reading of all bonds. These gold bonds with a measure of payment that may be out of harmony with currency values at due date of payment are not always convenient securities.

A further uncertainty may attach to the American contracts. It is this. What is the exact effect in law of the new currency regulations of the U.S.A.? In the Belgian case the English Appeal Judges took the withdrawal of gold from circulation, the substitution of notes and paper currency and the entire subversion of gold as standard as rendering the gold clause void and of no

effect. The Judge below took the view that it was a clause inconsistent with the general tenour of the bond and therefore not to be read as part of it. But in cases of construction, if the contract is varied different results may ensue, although at first sight there may be a substantial similarity. These legal considerations therefore are mere general *indicia* of the possibilities. There must, of necessity, be doubt as to the exact legal position in any particular case according as its facts fall within or without the lines indicated. It would not be difficult perhaps to frame a bond with a " gold " clause in such a way as to ensure its being read as a definite promise to liquidate it only in terms of a fixed gold value. But where it is so worded as to be open to a construction such as that in the Belgian case, it may be open to doubt as has been amply demonstrated. One would think that the attitude taken up by the American concerns (presumably at the instance of their Government) ought to be challenged by a test action by one of the bondholders, to which other holders would contribute as regards costs.

Mr. Justice Maugham, in a case reported in the April issue of " Weekly Notes " (1933, at p. 98), has made some remarks on certain sections of the Companies Act, 1929, that are worth noting by bankers. The facts of the particular case (*In re Patrick and Lyon, Ltd.*) one need not go into. Suffice it to say that it was a misfeasance summons under section 275 of the Companies Act—the section providing for proceedings against directors on the ground of fraudulent trading. And in the particular case it was mixed up with section 266, which is the section invalidating floating charges created by an insolvent company save for cash if created within six months of winding-up. Both these sections are of interest to us. In the particular case the Judge held that " fraudulent trading " was not established and that it was not conclusively proved that the company was not carried on for a fraudulent purpose. The learned Judge in so holding explained that the words " fraud " and " fraudulent purpose," as used in section 275, connoted real dishonesty involving, according to current notions of fair trading among commercial men at the present day, real moral blame. He contrasted this with the sense in which the word " fraudulent " was used in

section 265 (i.e. fraudulent preference analogous to that of the Bankruptcy statute). Fraudulent preference in that sense might be "free from moral blame," and he instanced the case of a payment of a debt to a poor widow because she had children to support or some other discrimination of that sort. Whether this distinction is quite sound is open to doubt, because the Judges are clear that to constitute a "fraudulent preference" there must not only be a preference of one or more creditor before others, but the *intention* to prefer. However, the important point is that it is not enough under section 275 to say a company is being carried on by directors for an indirect purpose, it must be fraudulent in the sense of involving moral delinquency or dishonesty. We do not suppose this suggestion of Maugham, J. is the last word on the subject. As he says, the judges never have attempted to define "fraud." That is true. It is also true that as a rule fraud involves moral blame. But section 275 will be a poor protection if it is meant that unless there is an indictable offence, as Mr. Justice Maugham seems to suppose, for he is reported as saying: "He must be perfectly satisfied that there was enough evidence to justify an indictment." That is not right, in our respectful submission. Surely there might be cases of fraud not coming within any of the criminal statutes.

Section 266—as to invalid floating charges—came into the case on the allegation that the company was earning no profits and was being kept alive and going in its last few months, not for legitimate purposes, but for the purpose of outliving the six months' limit so as to prevent a declaration of invalidity of certain floating charge debentures held by its chief director. The Judge did not so find. But he was led to discuss the meaning of solvency under section 266 and ruled that it meant something more than mere "balance-sheet" solvency—it meant "being unable to pay its debts as they became due." That is to say, the Court will go behind mere book-keeping and accountancy and decide in substance and in fact. This view of section 266 is no doubt accurate.

A case that has arisen lately calls attention to the position of a guarantor of an account current as regards notice to determine given to the banker. The guarantee in question was in common form and therefore was a

contract between the bank and the guarantor that in consideration of the bank continuing the account of its customer the guarantor would guarantee all amounts on whatever account or in whatever way arising owing from the customer to the bank. The guarantor's liability was limited to the sum of £500, although, of course, the guarantee (up to that limit) covered all kinds of accommodation. The form of guarantee signed by the guarantor also contained a quite usual term as to the guarantor's liability continuing until the expiration of a month after the service of notice by him to determine the guarantee. In the case under attention, the debit balance owing to the bank at the date of serving notice to determine the guarantee was £1,236. On receiving the notice of determination of the contract the bank, instead of relying on the one month's notice, as they might have done, at once closed the account and applied to the guarantor for his £500. The guarantor, on the other hand, insisted that he was entitled to the expiration of the month as bargained in his guarantee, for, he said, in that month the customer might possibly have reduced his indebtedness even below the guarantee limit. In short, the guarantor's position was that he was, by his contract with the bank, able to insist that he could not be held liable until the expiry of the month's notice agreed upon as his determination of his liability. Naturally the bank refused to listen to this plea and persisted in its claim upon the guarantor for his limit in reduction of the amount owing to them. There is nothing in the bank guarantee form that compels the bank to continue the account with the customer. Being a debit account the bank can close it when it likes, subject to any special contract with its customer. In the case in question, the guarantor had mistaken the effect of the usual clause for notice to determine the guarantee. The law may be stated quite simply. It is submitted the ordinary guarantee form leaves the bank at liberty to deal with its customer as it will, but the special clause as to a fixed notice to determine the guarantee by the guarantor—if properly worded—gives the bank the additional protection that it *may* carry on the account until the expiration of the specified period and that the guarantee will be of full force and effect during such period if the bank elects to carry on the account.

It has been held that the guarantee is just an ordinary contract and must be construed accordingly. Therefore a guarantor who undertakes to leave the guarantee in full force and effect until the expiration of a fixed period after notice of determination, cannot complain if the bank chooses to carry on dealings with the customer up to the expiration of that period. On the other hand, a guarantor under the common form cannot complain if the banker at any moment closes the account with the customer and settles the indebtedness at that point.

Obituary

WITH the passing of Mr. Thomas Henderson Whitehead in his 82nd year, a notable figure has been lost not only to the Chartered Bank of India, Australia and China, to which he devoted so many years' service, but also to the banking world generally, particularly to such bodies as the British Overseas Banks' Association, of which he was a founder and its first chairman; the Bankers' Institute of which he was an honorary vice-president; the Royal Empire Society; the Boy Scouts Association, and other foundations.

From 1874 to 1902 Mr. Whitehead was on foreign service in the Chartered Bank, in India, Ceylon, China, and Japan; becoming manager in Hong Kong in 1883, and, in addition, superintendent of the Far-Eastern branches from 1893.

His profound knowledge of banking affairs brought him into touch at various times with such outstanding personalities as President McKinley, President Porfirio Diaz, Mr. Pierpont Morgan, and Li Hung Chang.

By Chinese statesmen his financial knowledge was so esteemed that upon two occasions they offered him the appointment of Financial Adviser, once to the Imperial Chinese Government, and later, to the Republic. Neither offer was accepted.

Perhaps the most spectacular incident of his career was his dispatch from Hong Kong to *The Times* announcing the secret treaty between Russia and China regarding the occupation of Port Arthur in 1905.

Retiring from the bank in 1920, he by no means gave

up his active interests, and spent considerable time, thought and money in various schemes for the help of his fellow-men, being particularly interested in youth and the Empire.

He has contributed to several scholarships; and has devoted some of his time to writing. On the day of his death appeared his thesis on the world monetary crisis, a paper that represented many months' work.

Bank for International Settlements

By a Correspondent

THE annual report of the B.I.S. once again provides a comprehensive survey of the principal political events of the year, and of their effect upon the fortunes of the bank.

Naturally enough, the Lausanne Conference takes pride of place as the first genuine example of international statesmanship and the one real achievement of the year. Had it proved possible to follow up this initial success with similar agreements in the field of international trade and finance, all would have been well. Unfortunately, however, it has been impossible for political reasons to hold the World Conference as soon as had been hoped, and during the interval international relations in the monetary and economic sphere have become steadily worse. Instead of a gradual revival of international trade and a return to more stable monetary conditions, precisely the reverse has occurred. Trade has continued to decline, more countries have been driven off the gold standard, and nearly every central bank has either been deprived of its foreign reserves or been compelled to convert its foreign currencies into gold. Translated into figures, the chart given in the report shows that the foreign exchange holdings of central banks have declined by no less than 60 per cent. during the past twelve months, and are now little more than 20 per cent. of the 1930 level.

The situation is, therefore, that while the settlement of the reparations problem has deprived the B.I.S. of one source of deposits, there has been no consequent improvement in other spheres of international relations.

Extracts from the experts' agenda for the World Conference show that the management have good reason to hope that when these problems are tackled by the World Conference the activities of the bank will be considerably extended; but for the moment the bank is clearly feeling the full effects of the present wave of mistrust and misconfidence.

Of other events, the American decision to abandon the gold standard was not announced until April, and therefore finds no mention in the report, which deals only with the year ended on March 31. It was, however, known some few days before the annual meeting, and thus served to demonstrate once again the immense practical value of bringing together at frequent intervals the governors of the principal central banks of Europe. For at the time no one knew what the result of the American decision would be, and few people dared to believe that the few remaining adherents to the gold standard would be able or willing to remain faithful in the face of this last deliberate renunciation. To those who came to that assembly, it might well have seemed as if the American decision represented the negation of all that the bank had stood for and worked for during the three short years since its formation. Yet that such thoughts were far from their minds is shown by the fact that they passed a unanimous resolution reaffirming their faith in the gold standard as the only permanent basis for stable money, and giving their unanimous approval and support to the resolution passed by the B.I.S. Board in July of the previous year. That this resolution should have been approved at this time by the unanimous vote of no less than twenty-five central bank governors is an event of very considerable importance.

In this connection, it is interesting to recall that when the resolution was first passed in July 1932 by the B.I.S. Board, it was regarded in London as an obvious and tactless attempt to force England back to the gold standard. It is perhaps inevitable that people in England should be over-anxious on the question of the return to gold, but a little consideration should have shown that the resolution was not merely aimed at this country. For in nearly every country to-day the central bank is subject to continual pressure from commercial interests

who, for obvious reasons, would like to see their national currencies depreciated. In several cases the representatives of these banks felt that a unanimous resolution of the B.I.S. would be of great assistance to them in their struggles, and it was largely with a view to helping them that the original resolution was drawn up.

Of the other matters dealt with in the report, the pages dealing with the trustee functions of the bank are probably too technical to be of interest to the general reader, but they serve as a useful reminder of the number and complexity of the bank's duties in this capacity.

As regards the changes in the management of the bank, the appointment of Sir Otto Niemeyer in the place of Sir Charles Addis dates from last year, although owing to his absence abroad Sir Otto has not yet been able to take a very active part in the affairs of the bank. His appointment has, however, a special interest by reason of the fact that he is also a member of the Financial Committee of the League of Nations, and thus constitutes the first direct connection between the League and the B.I.S.

Of the other changes, Mr. Fraser's appointment as President was for a time in doubt owing to the American abandonment of the gold standard. When put to the meeting, however, it was decided by a unanimous vote to regard the American decision as only a temporary measure, and to request Mr. Fraser to accept the post. This decision has been welcomed not only on personal grounds, but also because of the importance of maintaining the American connection.

American Banking

By a Correspondent

THE suspension of the gold standard by the United States on April 19 was a deliberate act of policy on the part of the Roosevelt administration. It was dictated partly by domestic considerations, the necessity for raising prices and for placating the growing sentiment in Congress for some sort of inflation, and partly by international factors, the apparent belief of

Mr. Roosevelt and his advisers that they could enter the World Economic Conference and the conversations preliminary thereto better equipped to achieve their objectives with the dollar cut loose from gold.

In the opinion of the majority of the banking community the move was totally unnecessary to protect the exchange. The gold holdings of the Federal Reserve System, augmented by more than $700,000,000 of gold retrieved from hoarding since the banking holiday of last March, were virtually at the highest level on record. The country continued to enjoy a favourable balance of trade even though it was a small one. Under the circumstances there would have been no difficulty, foreign exchange experts here believe, in maintaining the dollar at par without any disturbing loss of gold.

The thoroughly political nature of the move has made it almost impossible for the banking community to appraise its significance. Despite the constant talk of inflation that had gone on for months prior to the event, the financial community was taken by surprise. It was not until a few days before the declaration of the embargo that the foremost bankers conceded even privately the possibility of such an event. At the date of writing, three weeks after the President's announcement forbidding all gold exports, the banking community is still without any well-defined opinion on the subject, the Press is sharply divided over the wisdom of the move and the public at large, confessing its inability to understand the subject at all, is relying on Mr. Roosevelt to see the country through without making any attempt to follow in detail the rapid succession of measures which he has driven through Congress.

Such formal comment as has been made by the larger banks upon the administration's inflation programme has uniformly followed the course of first condemning on academic grounds the inflation legislation enacted by Congress, and then partially condoning the programme on the strength of a pious hope that President Roosevelt either will not use the powers for which he has asked, or if he does, will be able by some miracle to control the inflation which should ensue.

Immediately following the announcement of the embargo, J. P. Morgan issued a statement endorsing the

President's action, but there is reason to believe that if he had understood that the ban on gold was merely the first step in the programme that has subsequently been disclosed, this endorsement might have been less wholehearted. Apart from Mr. Morgan, no banker of prominence has yet commented publicly upon this step. Behind this silence on the part of leading bankers lies the complete confusion of Wall Street, which, for the first time in many years is utterly outside the councils of state. Contrary to the practices of his predecessor in office, President Roosevelt since his inauguration has studiously refrained from consulting the bankers of the country upon his financial measures or advising them of his policies. The entire personnel of Wall Street appears to be suspect in Washington.

The new Attorney-General in a recent radio talk plainly advised the country that Wall Street was going to be disabused of its belief that it governed the country; that bankers were going to be taught that they might not speculate with other people's money. The Special Senate Investigating Committee which earlier in the year turned up so many unsavoury details of the National City organization has been at work probing into the affairs of J. P. Morgan & Co., Kuhn, Loeb & Co., and other important financial houses, and will shortly resume open hearings, beginning with the questioning of Mr. Morgan and his partners. The preparation of a bill to revise the regulation of banking continues behind the closed doors of the offices of the Senate Banking Committee, and it is scarcely an exaggeration to say that the banking system of the United States, particularly that essential part of it called Wall Street, feels itself to be under a reign of terror.

In the extraordinary assumption of power that President Roosevelt has asked for and received from Congress, and in the radical character of the succession of bills formulated for him by the little group of college professors composing his "brain trust" it is not hard to see, as many observers do, a departure from the established political and economic philosophy of the country amounting to a revolution. The details of the "new deal" continue to be obscure, but its larger outlines are becoming visible. Private capitalist enter-

prise is to be curbed and controlled for the social good. In the fields of agriculture, industry and transportation, unrestricted competition is to give way to government planning. The working hours of labour are to be shortened while wages are maintained, and, if possible, increased. The output of farm and factory is to be restrained by government edict so as not to exceed the available demand.

In the international field there are four main objectives, a reduction of armaments, the lowering of trade barriers, the re-stabilization of currencies and the re-establishment of friendly international relations. In the meantime emergency measures to relieve unemployment and to stimulate the recovery of business are to be undertaken. These include a large-scale programme of public works and the devaluation of the currency.

If President Roosevelt has in mind any specific devaluation of the dollar he has not disclosed it to bankers at large. Many of them cling to the opinion that the present discount on the dollar in foreign exchange is purely temporary, and that in the end there will be no cut in the gold content of the monetary unit. What is done will probably depend upon the outcome of the World Economic Conference, but there are definite signs that the administration's advisers are by no means averse to the idea of re-stabilizing the dollar on a lower parity with gold.

At the same time no actively inflationary measures have been put into effect. The course of credit since the bank holiday has, in fact, been deflationary. The Federal Reserve System has so far not yet begun to add to its holdings of United States government securities, and outstanding Federal Reserve credit has been reduced $1,250,000,000 between March 8 and May 3 through the retirement of about $1,600,000,000 of money from circulation and the consequent repayment of over $1,000,000,000 of member bank borrowings.

Of 18,000 banks in existence before the banking holiday, over 5,200 had not been reopened by the end of March, and it is estimated that possibly 10 per cent., or $4,000,000,000, of all the bank deposits in the country remain locked up. Despite these deflationary influences and the uncertainties which surround the administration's

economic programme, there has been a genuine improvement in business, both in the heavy industries and in retail trade. The financial markets, under the stimulation of the inflation bill, have rallied sharply with the usual sweetening effects upon sentiment and banking liquidity. This recovery in business and the markets has been watched by bankers hopefully but without undue optimism.

To add to the popular disfavour into which bankers as a class have fallen the regrettable muddle over the Harriman National Bank, the member of New York Clearing House Association which failed to reopen after the banking holiday, has dragged on without any progress toward the redemption by the Clearing House of its written pledges to stand behind its member. The affair promises to become a Wall Street scandal of the first rank. Criminal irregularities in the affairs of the Harriman were discovered as long ago as last July, but upon the urgent representations, oral and written, of the Clearing House Association, the national banking authorities and the Department of Justice delayed action in the belief that by so doing the interests of depositors would be safeguarded and the workings of justice postponed but not frustrated. When, following the banking holiday, the Harriman failed to reopen and the Clearing House banks comprising the twenty most important New York institutions were called upon to redeem their pledge, legal obstacles developed and they were unable to agree among themselves upon a plan for carrying out that pledge. As the affair dragged on, public confidence began to be affected and at least one other Clearing House bank, whose depositors had in the past placed some reliance upon the Clearing House guarantee, began to experience heavy withdrawals. This situation had become critical early in April when Secretary of the Treasury, William H. Woodin, suddenly issued an announcement saying that the Harriman depositors would be paid in full. It subsequently developed that Mr. Woodin had based his action on the opinion that the Harriman's claim against the Clearing House was a valid legal contract which could be used as collateral for a loan from the Reconstruction Finance Corporation. However, counsel for the R. F. C. and its Board of Directors ruled

otherwise, and Mr. Woodin's own attorney was reported to have informed him that if he persisted in his plan he might become personally liable for the entire $6,300,000 needed to bring the assets of the closed bank up to its deposits.

Thus far, Harriman depositors have received nothing, and there is apparently in store a complicated series of law suits including a possible action by the Comptroller of the Currency or the Secretary of the Treasury against all of the Clearing House banks. This unhappy tangle has not served to increase the goodwill existing between the administration and the Wall Street bankers, and it has again disclosed glaringly the complete lack of leadership existing in the banking world and the extraordinary lapses in judgment to which even our most important and experienced bankers seem to have been subject in the last few years.

Money market conditions which eased rapidly during the first half of April showed only a moderate tendency to harden following the announcement of the suspension of the gold standard. During the latter part of the month and the first few days of May a renewed tendency toward easier money developed in anticipation of the large-scale purchases of government securities by the Federal Reserve banks called for by the government's inflation programme.

French Banking

By a Correspondent

IN spite of the abundance of funds, there was no sign of easier money conditions in April. The wave of distrust continued to prevail all over France. Although many people possessed huge liquid means they preferred to keep them hoarded in an absolutely unproductive form rather than employ them in the money market. The suspension of the gold standard by the United States contributed to increase the disquietude of the public. In spite of the fact that France has not the least intention to suspend the gold standard—the

Government has repeatedly declared its firm determination to maintain the convertibility of the franc—the uncertainty of the international monetary situation has increased the uneasiness.

As a result, there was a marked rise of equities in the Paris Bourse, while fixed interest-bearing securities continued to decline. In the money market, on the other hand, there was no noteworthy change, as can be seen from the following table :—

	End of Feb., 1933	End of March, 1933	End of April, 1933
	%	%	%
Market rate of discount	$2\frac{3}{16}$	$2\frac{1}{8}$	$2\frac{1}{16}$
Call money	2	$1\frac{1}{2}$	$1\frac{1}{4}$
Loans on Bons de la Défense Nationale :			
Market rates—			
1 month	$3\frac{1}{8}$	2	$2\frac{3}{16}$
3 months	$3\frac{1}{4}$	$2\frac{1}{2}$	$2\frac{9}{16}$
Rates of Loans on Securities :—			
Quoted on the Parquet	$\frac{1}{8}$	$\frac{1}{2}$	$\frac{3}{4}$
Quoted in the Coulisse	$4\frac{1}{4}$	$4\frac{1}{2}$	$4\frac{1}{2}$

The market rate of discount slightly declined during April from $2\frac{1}{8}$ to $2\frac{1}{16}$ per cent., but the rates for loans on Bons de la Défense were firmer, the rate for one month advancing from 2 to $2\frac{3}{16}$ per cent., while the rate for three months rose from $2\frac{1}{2}$ to $2\frac{9}{16}$ per cent.

The fact that there was no general rise of interest rates in face of the aggravation of the wave of distrust is explained mainly by the credit operation of the French Treasury recently concluded in London. According to an agreement signed at the end of April, a British banking group agreed to advance £30 millions to the French Treasury for a period of three months, with the option of a renewal for another three months. About this, however, more will be said later in this article. From a purely monetary point of view, the transaction tended to cause easier money conditions, for the market had anticipated further Treasury borrowing in Paris. The effect of this factor was, however, counteracted by the aggravation of the international situation.

At the time of writing, the general situation appears to be particularly confused, owing to the instability of sterling and dollar. French public opinion is, therefore,

nervous, as it has not forgotten the experience of the depreciation of the franc between 1920 and 1926. The monetary situation of France has, nevertheless, improved during the last few weeks, and there is no reason to fear a run on the franc which has remained as strong as ever. In fact, the gold reserve of the Bank of France has increased slightly, as is shown by the following table :—

	End of Feb., 1933	End of March, 1933	End of April, 1933
ASSETS.	(Millions of francs)		
Gold reserve	81,017	80,409	80,866
Foreign exchange holdings (total)	4,140	4,126	3,594
of which :			
Sight	2,602	2,406	2,441
Time	1,538	1,720	1,153
Discounts (total)	3,565	3,603	4,058
of which :			
Bills on France	3,304	3,352	3,806
Bills on foreign centres	261	251	252
Advances on bullion	1,379	1,298	1,253
Advances on securities	2,581	2,714	2,649
Bills of the Caisse Autonome	6,647	6,621	6,595
LIABILITIES.			
Note circulation	83,986	86,096	84,992
Current accounts and deposits (total)	20,957	19,085	19,521
of which :			
Treasury	154	107	311
Caisse Autonome	2,071	2,128	2,029
Private accounts	18,457	16,622	16,936
Sundry	274	228	245
Total of sight liabilities	104,943	105,181	104,513
Percentage of gold cover	77·20%	76·45%	77·37%

The gold reserve increased from 80,409 millions in March to 80,866 millions in April, an increase of 457 millions. This increase is all the more remarkable, as in April the Bank of France had to meet substantial withdrawals of gold. Many private individuals have converted their franc balances into gold, but the Bank of France was able to replenish its supplies as a result of an influx from Switzerland and Holland. As the Swiss franc declined below gold point, the Swiss National Bank had to send gold to Paris. Moreover, the Reichsbank repaid in gold the credit of $17,000,000 granted by the Bank of France, and as a result there was an increase of the gold reserve by 433 million francs. This operation

resulted in a corresponding decline of the foreign exchange reserve, which was diminished also through selling in the market. Its total dropped from 4,126 millions to 3,594 millions.

It may be said that the Bank of France has completely liquidated its dollar balances. In 1931 and 1932 it converted into gold the major part of the dollars held since 1927, and kept only an amount necessary for current requirements. In face of the recent developments in the United States, the Bank of France considered it advisable to complete the liquidation of its dollar balances, and at the time of the American suspension of the gold standard it possessed practically no dollars. Thus, further progress has been made towards the abandonment of the gold exchange standard. This policy proved to be wise, for if the franc had depended to some extent on the dollar the suspension of the gold standard by the United States would have had grave consequences in France. The French Treasury, which had to shoulder the losses of the Bank of France on its sterling balances, to the extent of 2,342 million francs, would have been called upon to face a loss on the dollar balances. Fresh Parliamentary debates would have created an atmosphere of tension. Owing to the nervousness of the French public, it is possible that the fall of the dollar would have caused a panic, and the French Government might have been compelled to suspend the gold standard.

The increase of the gold stock was accompanied by a decline of sight liabilities from 105,181 millions to 104,513 millions. As a result, the ratio of the note cover increased from 76·45 to 77·37 per cent. Since the end of April, the monetary position has strengthened, thanks to a great extent to the Treasury's external credit.

From a political and psychological point of view, the British credit of £30 millions emphasized the solidarity existing between the two nations. This financial solidarity is, after the American default, perhaps the most reassuring factor, and affords an initial basis for European reconstruction. Thanks to this operation, the Treasury received a certain respite during the endless Parliamentary discussions. It obviated the necessity of issuing a second *tranche* of the consolidation loan—the

first *tranche* of which exceeded 5 milliard francs—and relieved the French market of the pressure caused by the Treasury's requirements. The rate of interest has been fixed at 2½ per cent., which is advantageous for the French Treasury and maintains the level of its interest rates at a low figure in spite of budgetary difficulties.

The operation was accompanied by many ill-informed comments, and it is necessary to emphasize that the funds have been provided by the British banks and not by the British Treasury. The Exchange Equalization Account remained aloof from the operation. There is thus no question of an Anglo-French financial agreement. The operation has led to and will continue to bring about a variety of direct and indirect consequences. From a British point of view, as the credit was granted in sterling and the French Treasury required francs, the transfer of the amount has contributed to maintain the sterling-franc rate in the vicinity of 86 to 87. The Exchange Equalization Account could not have wished for a more opportune intervention. In fact, at the time when the first instalment of £10 millions was paid over, the transfer resulted in a decline of sterling to 85. The Bank of England was desirous of spreading the effect of the transfer over a longer period, and it would not be surprising if it had sold some gold to the Bank of France so as to avoid a too sudden movement in the foreign exchange market.

A second monetary consideration is that the operation does not involve the French Treasury in any risk, because the Bank of France has agreed to cover the risk of the repayment with the aid of its sterling balances, which are still slightly above £30 millions. In doing so, the Bank of France has carried a step further its policy of liquidating the gold exchange standard. At the time of the repayment it will provide the sterling without having to operate in the market, after which it will hold no foreign exchanges apart from certain credits granted to Central European central banks. It remains to be seen whether the French Treasury will be in a position to repay the amount to the Bank of France, or will be compelled to postpone payment and hand over Treasury bonds against the sterling supplied. In this unfavourable hypothesis, the Bank of France will convert its guaranteed

sterling holding into an additional advance to the Government (naturally temporary, according to the classical terminology !).

If the Bank of France has agreed to such a risk, it is probably because it has received assurances that the Treasury's position will improve after the passing of the Budget and the collection of taxes during the second half of the year. The fact that the French Treasury has become a short-term debtor to the British banking group is, however, open to criticism on many grounds, including the ground that the operation has caused a decline of sterling as well as of the florin and the Swiss franc.

Generally speaking, the financial position remains confused with many unknown and disturbing factors. In spite of the agreement between the Government and the Senate Finance Committee, the budgetary deficit for 1933 remains as high as 3,196 million francs, being the difference between expenditure of 49,093 millions and revenue of 45,897 millions. In itself the deficit would not be too heavy if it were possible to depend on the amount of revenue that is budgeted for, but it is doubtful if the resources which provided 37 milliards in 1932 will provide 9 milliards more amidst the present crisis. While the rise of expenditure has been checked, the continued decline of revenue is a source of worry to the authorities. It will be necessary therefore to enforce further economies. A more comforting aspect of the situation is that the increasing trend of the deficit of previous years has been checked.

It is beyond doubt that the reconstruction of the French economic system is far from having been accomplished. The adaptation of various branches to the new conditions may yet cause unfavourable reactions and the favourable indices in the heavy industries, textiles and electric industries should not mislead us into an unwarranted optimism. The maintenance of the gold standard pre-supposes a reduction of the cost of production and of the cost of living. In this connection, it is worth noting that, while the cost of living has declined by 19 per cent. since 1930, wages have declined by only 6 per cent. Owing to the increase in unemployment, this rigidity of the wages has not even the excuse of the

encouragement of consumption. According to the Office de Statistique, as compared with 1927 the cost of living is 6 per cent. lower, while the average level of wages is 18 per cent. higher. This is a serious obstacle to economic recovery.

The approach of the World Economic Conference has failed so far to create in Paris an atmosphere of optimism, especially as the collapse of the dollar has raised new problems which cannot be solved by June 12. The large number of nations at the Conference is not likely to assist in producing practical results. The tariff truce scheme is followed with interest, and it is hoped that various agreements may be reached. It is particularly hoped that some kind of gentlemen's agreement may be reached between Great Britain, the United States and France, strengthening the basis of the gold standard, and restoring the stable monetary basis for international trade.

German Banking

(by a Correspondent)

THE immediate effect of the suspension of the gold standard by the United States upon German banks and industries is decidedly favourable. Already the fall of sterling has gone a long way towards reducing the burden of their external debts, and this is even more the case with the depreciation of the dollar, as the amount of German dollar debts is considerably larger than that of sterling debts. According to recent statistics, Germany owes to the United States $1,000 millions in long-term loans and $700 millions in short-term credits. The greater part of the latter concerns German banks, and is included under the Standstill Agreement. The waiving of the gold clause by the United States was also welcome to Germany, as in consequence of this the depreciation of the dollar benefits not only short-term debtors but also bonded debtors.

It is considered, nevertheless, doubtful in German banking circles whether the depreciation of the dollar will be in itself sufficient to solve the problem of the

transfer of the foreign debt service. Until the beginning of 1933, Germany was able to transfer the interest and sinking fund payments in foreign currencies without having to draw upon the Reichsbank's gold and foreign exchange reserve and up to April last the decline in the Reichsbank's gold stocks was due to capital repayments. Between April 1 and May 10, however, the Reichsbank lost about Rm. 40 millions in gold and foreign currencies, as the foreign exchange requirements of the foreign debt service exceeded the surplus of foreign exchange obtained through exports. The free reserve of the Reichsbank has thus declined to about Rm. 300 millions. As an improvement in the German trade balance cannot be anticipated, and a further decline of the reserve is hardly possible, the Reichsbank will have to reach new decisions before long. In certain quarters it is expected that only interest up to 3 per cent. on foreign debts will be transferred abroad, and there is some discussion whether the balance will not be made payable in Reichsmarks.

In circles well-connected with the Government there is much talk about a reduction of the burden of interest rates, both on the foreign debts as well as on the internal debts. Efforts are being made to obtain a reduction of the interest rates charged by German banks to their debtors, the average level of which is at present 7 per cent. The German banks maintain that they can only reduce their loan rates simultaneously with a reduction of their deposit rates. The rate allowed on savings deposits is 3½ per cent., but it cannot be reduced so long as Government loans and mortgage bonds yield about 7 per cent. This explains the efforts now being concentrated on the reduction of internal loan rates. Up to now there has been no official statement made about these matters, and the question of the financing of the planned public works is also in suspense.

First among the leading German banks, the Deutsche Bank und Disconto-Gesellschaft published in May its balance sheet for December 31, 1932. Its figures have made a good impression, as the bank was able to show a fairly substantial profit for the last year. It was generally expected that the whole of the net profits would be added to reserves. The passing of the dividend did not,

therefore, cause any disappointment, although in the spring of 1932, on the occasion of the issue of new shares at 115 per cent. an early resumption of the dividend was forecast. It was not foreseen at that time that 1932 would be another bad year for German banking.

The losses of German banks on their security holdings and their loans through the crisis are exceptionally heavy. The DD-Bank, whose total commitments at the beginning of the crisis were about Rm. 4,000 millions, had to write off Rm. 125 millions in 1929 and 1930, and through the reduction of its share capital another Rm. 250 millions in 1931. The amounts allocated from the profit of 1932 for writing down losses were published in part only. Altogether they must have amounted to some Rm. 50 millions. Not only the actual losses were written off, but provisions were made also for doubtful assets. At the same time it ought to be remembered that, owing to special arrangements, the DD-Bank and other German banks had been partly relieved from the necessity of writing off bad and doubtful debts. In December 1932 the Government of the Reich and the Reichsbank created the "Redemption Fund for Industrial Credits." The banks were authorized to transfer part of their frozen credits to this institution at their full book value. They are obliged to redeem these credits, in so far as they cannot be collected, within 25 years. The DD-Bank availed itself of the facilities of this new institution to a comparatively moderate extent only, but without this arrangement it would have had further to reduce its slender reserves in order to allow for all doubtful debts.

The moment the necessity for further allocations for losses ceases the position of the DD-Bank will of course change considerably for the better. The overhead charges of the bank (including taxation) amounted to Rm. 197 millions in 1929, but were reduced to Rm. 119 millions in 1932. The decline of receipts was hardly larger, so that the bank's net profit was Rm. 26 millions. Compared with its moderate capital of Rm. 144 millions, the net profit is very considerable, so that there is reason to hope that in a normal year the bank would be able to pay a substantial dividend.

The following table, showing changes in the creditor items of the DD-Bank, is characteristic of the German

banking situation. All figures represent millions of Reichsmarks :—

	Internal items.			Foreign items.			
December.	Banks.	Others.	Total.	Banks.	Others.	Accept-ances.	Total.
1929 ...	299	2,617	2,906	801	357	665	1,823
1930 ...	383	2,252	2,635	559	251	689	1,501
1931 ...	194	2,112	2,307	166	155	365	686
1932 ...	285	1,958	2,242	123	129	319	571

In December 1929, Rm. 1,823 of foreign credits were at the disposal of the DD-Bank, while in December 1932, this amount declined to 571 millions. Of this the acceptance credits of 319 millions and the greater part of the bank credits of 123 millions were under the Standstill Agreement. Their decline against the previous year shows the considerable repayments made during the Standstill period. In spite of the economic crisis, the internal deposits did not decline to an excessive extent. The declining trend continues, however, and there are no signs of a change indicated. Contrary to previous years, in 1932 the reduction of credits was able to keep pace with the reduction of deposits, and the liquidity of the banks improved. As a result, the DD-Bank availed itself of the assistance of the Reichsbank to a much less extent in 1932 than in 1931. In December 1932 its rediscounts with the Reichsbank were Rm. 186 millions only, against Rm. 401 millions in 1931.

The demand for new credits has not increased during the last few months. In spite of reports of improvements, based on a seasonal decline in unemployment, business activity of the German banks continues to stagnate. Although they are ready to finance good industrial and commercial undertakings, there is no demand for such financing.

South American Banking

By a Correspondent

THE main factor in the economic crisis in the Latin American Republics at the present time continues to be the unremunerative levels of prices of primary commodities—which are, in many cases, below cost of production—combined with the lack of purchasing power in consuming markets. In these circumstances, exceptionally keen interest has been aroused in those republics in the preliminary international conversations at Washington and in the possibilities of a successful outcome of the World Economic Conference. An equally important consideration—which has been rendered more urgent by the sudden suspension of the gold standard by the United States—is the re-establishment of stable bases for the international exchange values of the various currencies. From the immediate point of view, the action of the United States has had little effect on Latin American currencies, except in respect of those which are directly or indirectly linked to the American dollar—such as those of Brazil and Colombia, which depend almost entirely upon the United States coffee market for the disposal of their principal product. In these cases, it is thought that the currency will follow the American dollar. On the other hand, the reaction upon Argentina will, it is thought, be on the whole favourable, as her debt service will be reduced and her trade commitments with the United States, although they have shrunk to an admittedly very low level, should also benefit. Among the more permanent developments arising from the Economic Conference must be reckoned any decisions which will be arrived at for the relinking of currencies to gold, taken in conjunction with the rehabilitation of central banking systems. It may be recalled that, during comparatively recent years, central banks were established in Bolivia, Chile, Peru, Colombia and Ecuador, but, under the insupportable pressure of the economic crisis resulting from the drastic decline in the vital export trade, the principles upon which these institutions were based have been departed from. In all the countries mentioned, the gold standard of currency has been suspended,

and modifications have been made to the organic laws of the central banks to such an extent that, owing to inflation, loans to the governments, and the extension of the central banks' business into ordinary commercial banking, they now bear little resemblance to their originals. In Bolivia, the currency crisis has become so accentuated by the hostilities with Paraguay that the Government have appropriated foreign currency deposits as well as a large proportion of the gold reserves held by the central bank and other Bolivian banks.

In the meantime, South American countries show a general tendency to tighten still further the official restrictions upon foreign exchange transactions, partly on account of increasing stringency in the actual supply of foreign currency drafts, and partly owing to the fact that stocks of imported goods in general have been reduced to such abnormally low levels that all other claims for exchange cover must be subordinated to that for payment for essential imports. Whilst, in present circumstances, the continued application of the exchange restrictions is admittedly a necessary evil, there are not lacking certain brighter tendencies in one or two directions in the general economic outlook. For instance, the Trade Convention between Great Britain and Argentina has been successfully concluded, and a new plan has been drawn up by the Chilean Government, on what appears to be practical lines, for the complete reorganization of the Chilean nitrate of soda industry. Chile has also negotiated, or has under negotiation, exchange compensation agreements with France and Spain and several other countries. In Brazil, a favourable development has been the announcement of a 10 per cent. bonus in kind to importers of Brazilian coffee, which should further increase her competitive power in the world coffee markets.

The British Trade Convention with Argentina has been concluded on terms generally in accordance with anticipations in financial circles in close touch with the republic, by whom it is considered an equitable arrangement likely to satisfy in a practical manner both existing engagements and future developments over the period of its term. The fact that Great Britain is by far the leading customer for Argentine exports was doubtless the chief

inducement which inspired the active endeavours of the Roca Mission towards a successful outcome of their visit to this country. On the other hand, Great Britain had to protect the large sum total of British capital investments in Argentina, estimated to amount to not less than £600,000,000 sterling. In order to gain assurance of a reasonable return on such capital in the future, the British Government was fully justified in making concessions within the limitations laid down in the Ottawa Agreements, so as to foster the greatest possible exchange of trade between the two countries. It is gratifying that by far the greater part of pent-up funds awaiting remittance from Argentina will be liquidated either in cash or by the issue of Argentine Government Bonds, but perhaps the most satisfactory feature is the recognition implied in the agreement of the principle that Great Britain should have priority in the exchange market to the extent of the sterling balances provided from British purchases of Argentine products, less a reasonable proportion for public services.

The banking and currency systems of Argentina have been the subject of considerable discussion in expert economic and financial circles for some years past, and informed opinion both inside and outside the republic has long been aware of the out-of-date and inadequate nature of the credit machinery in relation to the needs of modern Argentine commercial development. Consequently, no surprise is occasioned by the nature of the recommendations in the recently-issued report of Sir Otto Niemeyer, who was invited to investigate the economic and financial position of Argentina early in the current year. Sir Otto's recommendations follow the orthodox lines of recommending centralization of banking, currency and credit, through the agency of a Central Reserve Bank constituted on autonomous lines so as to afford the greatest possible protection against outside influences. The bank would absorb the functions of the Caja de Conversion, the Rediscount Commission, and the Exchange Control Commission. At the same time, it is proposed that a general banking law should be passed for the purpose of regulating the banking industry as a whole. The recommendations have been welcomed in financial circles closely in touch with Argentina, although

there are admittedly certain outstanding problems—such as the unwieldy floating debt—which render the practical application of the recommendations a matter of particular preoccupation.

An examination of the latest available foreign trade returns of Argentina confirms the view that increased stringency in regard to the supply of exchange during the current year must be considered inevitable, and this is borne out by the stricter application of present control regulations. Following the decline which first commenced in 1930 and became strongly accentuated in 1931, the total value of imports tended to become stabilized as from November, 1931, at around 30,000,000 gold pesos per month, whilst the aggregate value for the first two months of 1933 was 61,972,000 gold pesos, as compared with 61,700,000 pesos in the corresponding period of 1932. On the other hand, exports in January and February last totalled only 86,330,000 gold pesos, against 109,073,000 pesos. The surplus of exports was therefore only 24,358,000 gold pesos, as compared with 47,373,000 pesos. Whilst it is true that the first quarter of 1932 was an exceedingly active one in the export markets and the second quarter of 1933 may show improved returns, it is already clear that Argentine supply of foreign currency balances must be materially reduced this year to date. Sales of exchange by the banks in Argentina during the first quarter of 1933 amounted to 282,804,000 paper pesos, against 441,667,000 pesos in the corresponding period of 1932. Exchange sold under the heading of "imports and financial services" was 201,106,000 paper pesos, whilst that allotted to private persons was 15,170,000 pesos, and that to the National Government 59,569,000 pesos, the balance having been allotted to the Provincial and Municipal Governments.

During the past few months, the returns of the banks established in Buenos Aires have afforded no outstanding feature, and have merely reflected the continued inactivity of commerce and general financial operations. The aggregate deposits of the banks at end-February last were some 3,610,000,000 pesos (paper), as compared with 3,679,000,000 pesos at end-June last, and 3,579,000,000 pesos at end-February, 1932. The corresponding figures for discounts were 3,179,000,000 pesos,

against 3,344,000,000 pesos and 3,376,000,000 pesos, respectively, whilst cash reserves were 870,000,000 pesos, against 81,000,000 pesos and 714,000,000 pesos.

The bank holiday in the United States early in March last, as well as the departure of that country from the gold standard in mid-April, exercised little immediate effect upon the situation in Argentina, although a definite expression of policy took place in regard to exchange. On March 6 last, the announcement was made that thenceforward the Argentine gold peso would be "pegged" to French francs on the basis of 14·84 buyers, thus perpetuating the *de facto* stabilization in relation to gold which had previously obtained by the linking of the currency to the United States dollar at 171 Argentine gold pesos per 100 dollars as from end-November, 1931.

The Chilean Government has addressed itself urgently to the problem of reconstituting the all-important national nitrate of soda industry upon a more workable basis. Cosach, the national combine of practically all the nitrate producers, which was formed in 1931, was placed in liquidation by Government decree early in the current year. It has since been understood that the Government contemplated the reform of the industry by means of two separate but co-ordinated organizations, one to undertake the actual extractive processes and the other to control marketing arrangements, and details of the published plan, which have just reached London at the time of writing, more or less confirm this arrangement and appear to afford an equitable basis in respect of past commitments to bankers and bondholders, as well as a sound foundation for the future competitive powers of the industry in world fertilizer markets.

In regard to exchange compensation agreements, these have already been successfully negotiated by the Chilean Government with France, Spain, Sweden, and Italy, the basis being broadly that the value of purchases from Chile shall be retained in part by the importing country and offset against sales to Chile, outstanding frozen debts being liquidated in the same way. Negotiations for similar agreements are contemplated with Belgium, Germany, and Switzerland, as well as with the United States. *Prima facie*, it would appear that British

creditors might be placed at a disadvantage by the conclusion of these compensation agreements with other countries, but Great Britain is not a large importer of Chilean nitrate, and it would still appear possible that a scheme might be devised embracing other imports, such as copper, wool, frozen meat, and cereals.

Following the example of Argentina, Chile has adopted the policy of continuing to link official exchange rates in relation to gold despite the departure of the United States from the gold standard, and an announcement was made on May 3 last that the Banco Central de Chile had decided to take the French franc as the basis of its operations in such a way as to maintain the " official " quotation for the Chilean peso at the equivalent of 3 pence (gold). This rate is, of course, largely academic, as an active " bootleg " exchange market still exists in Chile, although it is noteworthy that the rates quoted therein have recently shown a definite tendency in the direction of an increased value for the peso.

Whilst there is as yet no sign of any important recovery in the consuming markets for Brazilian coffee, there continue to be adopted in that republic measures calculated to strengthen the general situation and to form a sound basis for recovery. The National Coffee Council has recently been converted into an organization, styled the National Coffee Department, directly controlled by the Government. The department has recently appreciably lowered its official level of prices for the purchase of stocks of coffee for destruction, whilst an announcement has also recently been made of its decision to concede to all exporters as from April 17 last a bonus of 10 per cent. in kind, based upon the volume of coffee shipped abroad from Brazilian ports. This bonus is intended solely for the benefit of the importers, i.e. the buyer abroad, and will thus have the effect of cheapening Brazilian coffee for the foreign buyer.

The present Provisional Government in Brazil has faithfully carried out its declared intention of promoting a return to constitutional administration. Polling took place on May 3 last for the National Constituent Assembly, which will consider, *inter alia*, the new constitution and the election of the President. The Bank of Brazil continues to control exchange, and the visible surplus of

foreign trade shows a tendency to contract, chiefly due to an increase in imports.

In Mexico, modifications have recently been effected to the Monetary Act passed in 1931 and to the law governing the operations of the Banco de Mexico. The coinage of silver has been discontinued and silver or bronze coins may now be minted solely upon the instructions of the Banco de Mexico. In addition, a monetary reserve is to be established destined entirely to sustain the value of the peso, to regulate the monetary circulation and foreign exchanges, and to guarantee the note issue of the Banco de Mexico. It is claimed that the circulating media have been extended and rendered flexible by the re-appearance of hoarded money, so that the extraordinary minting of silver coins is no longer necessary. Conditions in the Central American countries continue to be dominated by coffee-market conditions, and, in general, prospects for the coming crops are reported to be favourable.

Banking Reviews

English Reviews.

UNDER the title "Disparities in Falling Prices" the WESTMINSTER BANK review for April discusses the fall of nearly 40 per cent. in commodity prices which has taken place since 1929. This fall has been far from uniform and the writer points out that the interest on borrowed capital, house rent, wage rates and salaries, and charges for utility services are, to a large extent, fixed and during this period have constituted an increasing burden upon producers. Moreover, wholesale prices have fallen more steeply than retail; foodstuff and raw material prices have fallen more than those of manufactured products; and the prices of capital goods have lagged behind in the downward rush. "It may indeed be said that the central problem of world economic reconstruction is not so much, in the ultimate analysis, one of raising prices, as one of correcting the disequilibria which have arisen during three and a half years of crumbling values." A further feature of the present depression has been the destruction, in a number of cases,

of the correlation between domestic markets and world markets. Thus, the price of domestic wheat in American cents per bushel in U.S.A. fell from 121 in 1929 to 58 in 1932, and very similarly in the United Kingdom, but in Germany it rose from 135 to 147 and in France from 164 to 179. Such discrepancies are mainly due to protective tariffs. In previous crises the prices of consumption goods have fallen more slowly than those of capital goods and the greater falls in capital goods have enabled the producers of consumption goods to embark on new capital expenditure. "Purchasing power was in consequence distributed and an impetus given to a general rise in values and the restoration of industrial activity." In the present depression, however, the prices of capital goods have fallen more slowly than the prices of consumption goods and in consequence it will be impossible for the demand for investment goods to increase until either sales of consumers' goods yield a greater revenue, or capital equipment can be obtained more cheaply.

Professor J. H. Clapham contributes an interesting article on the "Navigation Laws, 1849–1933" to the May issue of LLOYDS BANK review. He points out that world tonnage is redundant and the scrapping of obsolete tonnage and a check to the output of new tonnage are much to be desired. This would be brought about automatically by a reduction of foreign shipping subsidies, and this country "would not then be tempted even to whisper about conventions or navigation laws."

The views on the Budget expressed in BARCLAYS BANK review for May and in the MIDLAND BANK review for April–May are diametrically opposed. The writer in the former considers that the successful adoption of unorthodox budgetary methods, in the hope that they would stimulate industrial activity, would be highly problematical, owing to the difficulty of forecasting with any degree of accuracy the course of events three years ahead. He thinks it would be most unwise to jeopardize this country's financial prestige, which has been re-established with so much effort, by the adoption of a "speculative" policy. "There can be no doubt that the Chancellor of the Exchequer has been right in electing to follow the narrow, if less popular, path of sound finance." He does, however, consider that the Government should have given

definite indications of its intentions to reduce still further the level of expenditure, for there can be no hope of any substantial increase in Exchequer receipts; the State must, therefore, reduce the cost of the Supply Services. On the other hand the writer in the MIDLAND BANK review considers that " The Chancellor has drawn up his Budget on the assumption of a static position of national finances, whereas in fact no position of national finances ever is static." Thus when taxation is so high that it is repressive of business enterprise, " the yield of taxation declines steadily and creates a deficit in face of the most rigid orthodoxy in budgeting." He believes that though alleviation of income tax might not increase receipts from that tax for several years, yet it might increase revenue from other sources—stamps, customs, and excise—and reduce expenditure on unemployment relief. He thinks that if the estimates are fulfilled it will only be because improvement in international trade may offset the deterioration in the taxable capacity of the nation arising on the side of internal trade. The opposing views considered above are supported by large bodies of influential opinion and it is beyond the scope of the present article to attempt to show which is the more likely to be correct.

Foreign Reviews.

" Monetary Reconstruction " is the title of an article by Professor Cassel in the Quarterly Review published by the SKANDINAVISKA KREDITAKTIEBOLAGET. In this article he seeks to show that the only way out of the depression is by monetary manipulation as he regards the depression and the fall in the level of commodity prices as a monetary phenomenon (deflation) and not as the result of other economic factors. We are not prepared to admit this hypothesis as it stands, but we do find ourselves in agreement with Professor Cassel when he proposes that countries should pay particular attention to maintaining the stability of the internal purchasing power of their currencies. Too much attention, he says, has been devoted to the foreign quotation of their currencies with a view to lowering them in order to gain commercial advantages and to stimulate exports. " Such a competition in exchange values is obviously quite incompatible with equilibrium in the international monetary system.

This equilibrium imperatively demands that all currencies shall be valued in approximate correspondence with their purchasing-power parity."

He goes on to state that, "Active intervention is required in order effectually to bring about a rise in the level of prices, and this intervention must proceed from a clear view of the problem as a purely monetary question." We do not quite see how a policy of purchasing bonds in the open market (as suggested by Professor Cassel) by the central bank is going to raise prices at the present moment, for the means of payment so forced on the market will only find its way to the already swollen unused balances in the banks. Some system must be devised for using money before a rise can be experienced and Professor Cassel suggests that "Under present conditions, however, it may be necessary to bolster up such a policy by the direct issue of central bank notes to meet the expenditure on such public works as are considered to be absolutely necessary in order to relieve unemployment."

Professor Cassel suggests that Great Britain would have been better served if the funds of the Exchange Equalization Account had been used to increase the purchasing power in the home market instead of using them for forcing down the value of the currency, which policy is incompatible with equilibrium in the world economy. He concludes with a plea that Great Britain should take the lead in the reconstruction of the monetary system.

Events have been moving rapidly in the United States so that financial periodicals from that country are already out of date by the time they reach us for review. The review published by the NATIONAL CITY BANK OF NEW YORK gives an interesting account of the banking crisis in the United States. We refrain from commenting upon a number of points as subsequent events have shown that the results of abandoning the gold standard in the United States are quite different from those suggested by the writer in this review. This writer disagrees with Professor Cassel on the question of raising prices for he states that, "The fallacy that an increase in the currency issue is needed to advance prices is the most persistent fallacy of the depression, though there is none

that the history of these three years has more convincingly disproved."

There are some interesting comments on the position of winter-sown wheat in the United States. According to the latest Government estimates the yield of this wheat will be the lowest for thirty years. A small decline is also expected in the spring-sown wheat and the writer concludes that the domestic wheat situation is distinctly promising and will be of great help to business in general.

The GUARANTY SURVEY deals with many of the same questions as the review referred to above. The author discusses the devaluation of the dollar and states, " It is too often assumed that a devaluation of the dollar through a reduction of its gold content, say by one half would immediately and automatically cause prices in terms of dollars to double." He does not believe that in itself the devaluation could directly affect the prices of domestic commodities, but that the higher reserve might become the basis for an expansion of credit on the new standard of valuation and that psychological reactions might have a stimulating influence.

Books

GREAT BRITAIN AND THE GOLD STANDARD. By H. F. FRASER. (London, 1933. Macmillan & Co. Price 8s. 6d. net.)

THE conclusion of Mr. Fraser's book—which was written before the United States suspended the gold standard—is that Great Britain should return to the gold standard at a parity not lower than $4·00 to the pound. After his careful analysis of our difficulties previous to the suspension of the gold standard, his optimistic view that at such a high parity the pound could be maintained without great difficulty is somewhat surprising. He laid stress on the fact that Great Britain was forced off the gold standard by the rigidity of her internal economic structure. There is very little reason for assuming that our internal structure is any less rigid than it was before 1931, and the overvaluation of the pound would therefore result in exactly the same difficulties as those experienced between 1925 and 1931.

THE MONETARY PROBLEMS OF INDIA. By L. C. JAIN. (London, 1933. Macmillan & Co. Price 10s. 6d.)

EVER since the publication of Mr. Keynes's classical work on Indian Currency and Finance, the subject has received much attention by students of economics. Mr. Jain's book is an important contribution to this interesting subject. In his opinion, it is to the interest of India to follow the Ottawa resolutions about monetary policy. He concludes his book with a detailed programme of banking reform.

THE MACHINE UNCHAINED. By L. HAUSLEITER. (London, 1933. Routledge. Price 12s. 6d. net.)

THE author treats the subject of over-production and faulty distribution in a delightfully unconventional manner. He covers a vast ground without tiring his readers with an array of superfluous details. A serious shortcoming of the book is that it devotes barely twenty lines to the economic system of Italian Fascism.

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ENGLISH ECCENTRICS. By EDITH SITWELL. (London, 1933. Faber & Faber. Price 15s. net.)

SINCE eccentricity so frequently centres around banks and courts of law, it is fitting that one of the earliest "cases" with whom Miss Sitwell is concerned in her "English Eccentrics," is Sarah Whitehead, the Bank Nun. Whether the sudden misfortune she suffered merits Sarah Whitehead's inclusion as a genuine eccentric may be a matter of opinion, but that her life after the cataclysm was one of perpetual eccentricity there can be no doubt.

The sympathy, as distinct from sentiment, which is bestowed upon this tragic figure is a stimulating prelude to a series of cameos that range from the genuinely eccentric James Hirst to the more sophisticated Dr. Katterfelto—all drawn as only Miss Sitwell could draw them.

The Bank's indulgence towards poor Sarah Whitehead, after her brother's behaviour—although he paid for his folly on the gallows—is illuminating. The kindly humanity that sometimes hides behind bank walls is a subject that has not been much enlarged upon—possibly in the seating capacity of a bank manager's waiting-room may lie the cause!

PUBLICATIONS RECEIVED

MAMMON. By ROBERT NEUMANN. (London, 1933. Peter Davies. Price 7s. 6d. net.)

THE SECRETARY'S MANUAL. By T. E. HAYDON and SIR GILBERT GARNSEY. (Twenty-second Edition. London, 1933. Jordan & Sons. Price 10s. net.)

CAPITALISM? By MAURICE HELY-HUTCHINSON (London, 1933. Ernest Benn, Ltd. Price 5s. net.)

A GUIDE TO THE INSPECTION OF DEEDS. By A. LAWSON FEARNLEY. (London, 1933. Sir Isaac Pitman & Son. Price 5s. net.)

THE BASIS AND ESSENTIALS OF GERMAN. By CHARLES DUFF and RICHARD FREUND. (London, 1933. Desmond Harmsworth. Price 3s. 6d.)

MECHANISATION OF ACCOUNTS AND RECORDS. By SIR JOSEPH BURN. (London, 1933. The Efficiency Magazine. Price 1s. net.)

"No business can afford to be without it."— Manchester Guardian Commercial.

STATESMAN'S YEAR-BOOK 1933

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(IN MILLIONS OF £)

	ENGLAND[2]	U.S.A.	FRANCE	BELGIUM	NETHERLANDS	DENMARK	NORWAY	SWEDEN	GERMANY	
									Total	Abroad
1930										
JANUARY ..	150·5	601·9	341·8	33·6	37·0	9·5	8·1	13·5	111·8	7·3
APRIL ..	156·2	620·9	341·0	33·8	35·7	9·5	8·1	13·4	124·5	7·3
JULY ..	156·3	615·1	355·6	34·3	35·7	9·5	8·1	13·3	128·2	7·3
OCTOBER ..	155·6	611·0	395·3	36·2	32·7	9·5	8·1	13·3	119·6	7·3
1931										
JANUARY ..	145·9	604·3	432·6	39·2	35·2	9·5	8·1	13·3	108·5	10·9
APRIL ..	144·5	640·1	451·6	41·1	36·8	9·5	8·1	13·2	114·7	10·2
JULY ..	163·3	701·1	452·7	41·0	41·1	9·5	8·1	13·1	69·6	5·7
OCTOBER ..	134·8	644·9	481·5	71·3	58·0	9·0	8·0	10·9	63·7	4·9
1932										
JANUARY ..	120·7	613·9	554·4	72·8	73·3	7·9	8·5	11·3	48·2	5·5
APRIL ..	120·8	620·1	618·2	71·8	73·2	8·0	8·5	11·3	43·0	3·9
MAY ..	120·8	619·4	626·9	72·1	75·2	8·0	8·5	11·3	42·0	4·6
JUNE ..	131·7	565·2	645·4	72·7	78·9	8·0	8·5	11·3	42·2	4·3
JULY ..	136·1	530·0	662·8	73·3	81·0	7·4	8·3	11·3	40·7	4·3
AUGUST ..	138·6	538·6	661·5	75·1	84·3	7·3	7·8	11·3	37·5	3·1
SEPTEMBER	138·9	569·8	662·0	74·8	85·2	7·3	7·8	11·3	37·6	3·1
OCTOBER ..	139·4	591·5	665·2	73·8	85·5	7·3	7·8	11·3	39·0	3·1
NOVEMBER	139·4	617·1	668·5	74·6	85·5	7·3	7·9	11·3	40·0	3·0
DECEMBER	139·4	626·6	671·1	74·3	85·3	7·3	7·9	11·3	40·5	2·8
1933										
JANUARY ..	119·8	647·0	668·4	74·2	85·3	7·3	7·9	11·3	39·5	2·1
FEBRUARY	126·4	668·9	659·3	74·6	84·9	7·3	7·9	11·3	40·2	1·9
MARCH ..	150·2	594·5	653·0	75·4	83·4	7·3	8·0	11·3	37·6	2·3
APRIL ..	171·8	665·1	647·4	76·3	78·4	7·3	8·3	12·0	36·2	3·1
MAY ..	186·0	705·9	651·0	76·3	74·8	7·3	8·3	12·0	20·1	1·0

[1] The figures are taken from the return
[2] Excluding a small amount held in th
[3] Gold and silver holdings.

Table II CREDIT AND CURRENCY (millions of £)

	CLEARING BANKS[1]			BANK OF ENGLAND[2]				
	Deposits	Cash	Advances	Other Deposits*		Government Securities in Banking Department*	Reserve*	Notes in Circulation*
				Total	Bankers' Balances			
1930								
JANUARY ..	1,767·5	192·0	969·1	111·8	75·5	64·9	53·5	355·8
APRIL ..	1,712·0	187·2	968·2	101·7	65·2	57·1	60·6	359·8
JULY ..	1,749·0	191·2	950·4	107·0	70·3	52·4	49·8	365·0
OCTOBER ..	1,791·0	188·7	922·3	95·9	61·0	42·2	60·6	357·2
1931								
JANUARY ..	1,835·9	194·6	907·4	97·7	64·4	48·8	51·4	351·7
APRIL ..	1,698·1	175·4	923·8	91·9	56·6	32·0	51·9	353·7
JULY ..	1,750·3	180·7	896·7	103·1	69·3	36·3	56·3	358·1
OCTOBER ..	1,687·8	172·9	894·4	120·4	68·3	56·5	53·6	356·8
1932								
JANUARY ..	1,677·1	176·9	889·3	112·5	74·3	45·3	49·9	345·9
APRIL ..	1,643·2	170·2	864·8	93·6	58·3	62·6	43·0	352·8
MAY ..	1,661·1	176·1	855·7	110·5	77·5	69·4	45·8	354·2
JUNE ..	1,726·5	188·2	836·8	121·3	86·5	67·1	48·0	363·0
JULY ..	1,765·2	187·7	820·5	122·7	88·2	68·8	44·3	369·3
AUGUST ..	1,812·6	189·6	800·7	115·0	79·5	73·1	48·6	365·3
SEPTEMBER	1,826·3	189·6	787·3	114·0	80·6	69·9	54·6	359·8
OCTOBER ..	1,853·3	189·5	779·9	110·9	77·3	67·0	56·0	358·4
NOVEMBER..	1,858·8	190·2	769·7	127·6	90·5	68·9	55·6	358·8
DECEMBER..	1,943·7	203·1	758·4	136·2	102·4	102·4	23·6	371·2
1933								
JANUARY ..	1,943·3	210·9	749·6	135·8	103·4	90·6	45·4	353·2
FEBRUARY	1,917·2	204·6	751·0	133·3	98·3	86·4	61·0	356·2
MARCH ..	1,885·9	204·0	751·6	127·8	92·8	57·7	79·7	367·1
APRIL ..	1,890·9	215·7[3]	749·2	138·0	100·9	68·5	74·0	371·9

[1] Average weekly balances, nine banks. [2] Average of four or five weekly returns.
* Since December, 1931, figures relate to last Wednesday in each month.

CENTRAL BANKS[1] Table I—*cont.*

RUSSIA	POLAND	CZECHO-SLOVAKIA[3]	AUSTRIA	HUNGARY	ITALY	SWITZERLAND	SPAIN	JAPAN	ARGENTINA	
									Conversion Office	Banco de la Nacion
30·2	16·1	7·7	4·9	5·8	56·1	23·6	101·7	107·3	87·9	1·3
33·2	16·2	7·7	4·9	5·8	56·3	22·2	97·9	91·7	87·9	1·3
41·7	16·2	8·0	4·9	5·8	56·3	22·9	98·0	90·2	87·9	1·3
51·2	13·0	8·7	6·2	5·8	57·2	25·4	98·2	85·1	87·3	0·9
51·1	13·0	9·4	6·2	5·8	57·3	28·4	96·7	85·4	84·5	0·3
53·2	13·0	9·4	6·2	4·5	57·4	25·5	96·0	85·9	77·4	0·4
53·7	13·3	9·4	6·2	4·0	58·1	33·4	96·3	87·3	64·7	0·3
60·2	13·3	9·3	5·5	3·8	58·9	67·4	90·3	82·3	57·1	0·3
67·4	13·8	10·0	5·5	3·7	60·9	93·1	89·1	48·1	51·8	0·2
67·7	13·2	10·0	5·2	3·6	60·9	96·7	89·3	44·0	51·0	0·2
68·0	13·2	10·0	5·2	3·6	60·9	96·7	89·3	44·0	51·0	0·2
68·8	12·8	10·0	4·8	3·5	61·1	101·3	89·4	44·0	51·0	0·2
71·7	11·2	10·0	4·3	3·5	61·3	103·4	89·4	43·9	51·0	0·2
73·3	11·1	10·0	4·3	3·5	61·7	104·6	89·5	43·9	51·0	0·2
75·5	11·0	10·0	4·3	3·5	62·2	104·8	89·5	43·9	51·0	0·2
—	11·3	10·1	4·3	3·5	62·6	104·6	89·5	43·9	51·0	0·2
—	11·4	10·1	4·3	3·5	62·8	104·6	89·5	43·9	51·0	0·2
—	11·5	10·3	4·3	3·5	63·0	101·2	89·5	43·9	51·0	0·2
—	11·6	10·4	4·3	3·5	63·2	98·0	89·6	43·5	51·0	0·2
—	11·8	10·4	4·3	3·5	63·1	98·0	89·6	43·5	51·0	0·2
—	11·8	10·4	4·3	3·5	66·8	100·3	89·6	43·5	51·0	0·2
—	11·3	10·4	4·3	3·5	68·0	100·5	89·6	43·5	51·0	0·2
—	11·3	10·4	4·3	3·5	70·5	94·5	89·6	43·5	51·0	

on or nearest the first of the month.
Banking Department.

Table III GOLD MOVEMENTS

	BANK OF ENGLAND	UNITED KINGDOM			UNITED STATES			TRANSVAAL GOLD OUTPUT at 85/- per fine ounce
	Net Influx (+) or Efflux (−)	Imports	Exports	Net Imports (+) or Exports (−)	Imports	Exports	Net Imports (+) or Exports (−)	
	£ millions	£ millions	£ millions	£ millions	$ millions	$ millions	$ millions	£ millions
1930								
JANUARY ..	+ 4·0	8·6	3·3	+ 5·3	12·9	8·9	+ 4·0	3·8
APRIL ..	+ 6·6	8·8	3·0	+ 5·8	65·8	0·1	+ 65·7	3·7
JULY ..	− 3·8	5·1	8·3	− 3·2	21·9	42·5	− 20·6	3·9
OCTOBER ..	+ 4·8	9·3	7·1	+ 2·2	35·6	9·3	+ 26·3	3·9
1931								
JANUARY ..	− 7·5	7·3	16·2	− 8·9	34·4	—	+ 34·4	3·9
APRIL ..	− 2·7	5·9	0·9	+ 5·0	49·5	—	+ 49·5	3·7
JULY ..	−31·7	10·0	36·8	−26·9	20·5	1·0	+ 19·5	3·9
OCTOBER ..	—	8·6	5·3	+ 3·3	60·9	398·6	−337·7	4·0
1932								
JANUARY ..	—	17·1	21·5	− 4·4	32·9	107·9	− 75·0	4·0
APRIL ..	—	12·2	5·5	+ 6·7	19·3	49·5	− 30·2	4·0
MAY.. ..	+ 4·2	11·1	6·8	+ 4·3	16·7	212·2	−195·5	4·1
JUNE ..	+ 8·9	15·4	6·3	+ 9·1	18·4	226·1	−207·7	4·1
JULY ..	+ 1·6	12·8	7·4	+ 5·4	16·3	23·5	− 7·2	4·2
AUGUST ..	+ 1·2	11·0	10·2	+ 0·8	24·2	18·1	+ 6·1	4·2
SEPTEMBER..	+ 0·5	12·1	11·0	+ 1·1	28·0	—	+ 28·0	4·1
OCTOBER ..	—	9·3	8·2	+ 1·1	20·7	—	+ 20·7	4·1
NOVEMBER ..	—	9·8	5·8	+ 4·0	21·8	—	+ 21·8	4·1
DECEMBER ..	−19·6	12·0	21·3	− 9·3	100·9	—	+100·9	4·2
1933								
JANUARY ..	+ 6·6	9·3	22·3	+13·0	128·5	—	+128·5	4·1
FEBRUARY ..	+21·4	11·3	6·1	+ 5·2	30·4	12·6	+ 17·8	3·8
MARCH ..	+25·9	24·3	4·5	+19·8				4·0
APRIL ..	+12·3	20·0	3·7	+16·3				3·8

Table IV — MONEY

Week ending	LONDON						
	Bank Rate	Day to Day Loan Rate	Discount Rates: Bank Bills 3 months	Discount Rates: Fine Trade Bills 3 months	Treasury Bills: Weekly Tender Rate	Treasury Bills: Amount Offered	Treasury Bills: Amount Applied for
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	£ millions	£ millions
1932					£ s. d.		
NOVEMBER 4 ..	2	1	1 11/16	2 1/2	0 10 11·16	50	60·5
,, 11 ..	2	1	1 11/16	2 1/2	0 14 11·17	50	74·2
,, 18 ..	2	1	1 11/16	2 1/2	0 17 7·24	60	80·5
,, 25 ..	2	1	1 13/16	2 1/2	1 2 4·44	60	74·5
DECEMBER 2 ..	2	1	1	2 1/2	0 17 4·67	55	91·4
,, 9 ..	2	1	15/16	2 1/2	0 16 5·89	50	67·7
,, 16 ..	2	1	1 1/16	2 1/2	1 5 6·41	50	67·3
,, 23 ..	2	1	1 1/16	2 1/2	1 5 2·8	50	67·7
,, 30 ..	2	1	1 1/2	2 1/2	0 19 4·35	50	93·2
1933							
JANUARY 6 ..	2	1	1 11/16	2 1/2	0 16 10·84	45	73·8
,, 13 ..	2	1	1 11/16	2 1/2	0 15 10·69	42	80·8
,, 20 ..	2	1	1 11/16	2 1/2	0 15 0·31	40	80·1
,, 27 ..	2	1	1 3/4	2 1/2	0 13 5·12	40	63·9
FEBRUARY 3 ..	2	1	1 3/4	2 1/2	0 14 0·20	40	72·9
,, 10 ..	2	1	1 3/4	2 1/2	0 16 9·20	40	83·8
,, 17 ..	2	1	1 11/16	2 1/2	0 17 2·84	45	90·3
,, 24 ..	2	1	1 11/16	2 1/2	0 14 5·59	45	80·3
MARCH 3 ..	2	1	1 11/16	2 1/2	0 11 4·39	45	67·1
,, 10 ..	2	1	1 11/16	2 1/2	0 10 1·5	45	71·1
,, 17 ..	2	1	1 11/16	2 1/2	0 8 10·9	42	71·3
,, 24 ..	2	1	1 3/4	2 1/2	0 6 9·27	45†	77·5
,, 31 ..	2	1	1 3/4	2 1/2	0 11 9·78	45†	79·2
APRIL 7 ..	2	1	1 11/16	2 1/2	0 10 11·25	45†	90·5
,, 13 ..	2	1	1 11/16	2 1/2	0 8 10·03	50†	62·0
,, 21 ..	2	1	1 11/16	2 1/2	0 9 6·30	50†	68·8
,, 28 ..	2	1	1 11/16	2 1/2	0 8 4·73	50†	78·9
MAY 5 ..	2	1	1 11/16	2 1/2	0 8 6·04	50†	87·2
,, 12 ..	2	1	1 11/16	2 1/2	0 7 8·14	50†	78·9

All figures given above are the rates ruling on Friday of each week. * Private discount rate

Table V — FOREIGN

DAILY

	NEW YORK $ to £	MONTREAL $ to £	PARIS Fr. to £	BRUSSELS Belga to £	MILAN Lire to £	ZURICH[3] Fr. to £	MADRID P'tas to £
PAR OF EXCHANGE.. ..	4·86⅛	4·86⅛	124·21[1]	35·00	92·46[2]	25·2215	25·2215
1930							
JANUARY	4·8697	4·9222	123·91	34·947	93·05	25·162	37·017
APRIL	4·8635	4·8654	124·11	34·842	92·777	25·095	38·946
JULY	4·8656	4·8622	123·67	34·810	92·879	25·044	42·203
OCTOBER	4·8591	4·8536	123·85	34·845	92·804	25·020	47·141
1931							
JANUARY	4·8551	4·8645	123·81	34·815	92·739	25·076	46·640
APRIL	4·8599	4·8621	124·28	34·950	92·815	25·235	47·015
JULY	4·8566	4·8729	123·82	34·818	92·865	24·994	52·018
OCTOBER	3·8887	4·3700	98·66	27·794	75·352	19·823	43·366
1932							
JANUARY	3·4303	4·0377	87·11	24·689	68·017	17·582	40·809
APRIL	3·7520	4·1716	95·12	26·778	72·840	19·299	48·788
MAY	3·6759	4·1539	93·14	26·212	71·340	18·786	45·289
JUNE	3·6484	4·2010	92·67	26·183	71·296	18·690	44·240
JULY	3·5522	4·0757	90·60	25·608	69·567	18·256	44·041
AUGUST..	3·4759	3·9669	88·68	25·048	67·886	17·864	43·037
SEPTEMBER	3·4717	3·8420	88·61	25·038	67·677	18·018	42·798
OCTOBER	3·3990	3·7233	86·58	24·460	66·374	17·606	41·517
NOVEMBER	3·2774	3·7475	83·59	23·620	64·048	17·018	40·089
DECEMBER	3·2763	3·7833	83·95	23·658	64·069	17·040	40·180
1933							
JANUARY	3·3599	3·8367	86·07	24·228	65·642	17·416	41·072
FEBRUARY	3·4218	4·0997	87·26	24·492	66·908	17·664	41·488
MARCH	3·4343	4·1199	87·41	24·605	67·157	17·770	40·819
APRIL	3·5851	4·2188	87·25	24·600	66·705	17·770	40·347

[1] The old parity of 25·2215 was
[2] The old parity of 25·2215 was
[3] Berne until November, 1929.
[4] Average Oct. 1 to Oct. 6,
[5] Quoted 1st—4th only.
[6] Quoted 19th—30th only

RATES

Table IV—*cont.*

NEW YORK			PARIS		BERLIN		AMSTERDAM	
Bank Rate	Market Discount Rate	Call Money	Bank Rate	Market Discount Rate	Bank Rate	Market Discount Rate	Bank Rate	Market Discount Rate
Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
2½	½	1	2½	1½	4	3½	2½	½

Table VI BRITISH TRADE

	COAL		PIG-IRON (1)		STEEL (1)
	Production Millions of Tons	Exports (including Coke) Millions of Tons	Number of Furnaces in Blast at end of month	Production Thousands of Tons	Production Thousands of Tons
1930					
JANUARY	23·8	5·9	159	650	771
APRIL	19·7	4·6	151	620	696
JULY	18·7	4·9	105	486	621
OCTOBER	21·0	5·1	96	415	512
1931					
JANUARY	19·2	3·6	83	337	402
APRIL	18·6	3·6	78	323	397
JULY	17·1	3·7	70	317	429
OCTOBER	19·7	4·3	66	284	457
1932					
JANUARY	18·7	3·6	76	330	430
APRIL	18·4	3·8	69	317	433
MAY	17·0	3·4	69	315	417
JUNE	16·8	3·6	69	311	459
JULY	15·0	3·6	56	293	432
AUGUST	15·3	3·5	57	259	362
SEPTEMBER	16·1	3·1	59	260	430
OCTOBER	17·5	3·6	59	276	439
NOVEMBER	18·3	3·7	59	268	474
DECEMBER	18·9	3·3	60	285	430
1933					
JANUARY	18·8	3·5	62	287	444
FEBRUARY	17·8	3·2	63	271	483
MARCH	19·5	3·5	70	332	578
APRIL	15·4	2·9	69	325	513

(1) Returns issued by

Table VI BRITISH TRADE AND INDUSTRY—*cont.*

	OVERSEAS TRADE			BANK CLEARINGS[1]			UNEMPLOYMENT		
	Imports £ millions	Exports £ millions	Re-exports £ millions	[2] London "Country" £ millions	Provincial £ millions	Total £ millions	[3] *Comparative Total* £ *millions*	Percentage of Insured persons unemployed	[4] Numbers on Live Register 000's omitted	[5] Index of Production (Quarterly) 1924 = 100
1930										
JANUARY	101·9	58·3	8·2	10·4	5·0	15·4	*19·5*	12·6	1,481	109·6
APRIL	83·9	46·9	7·8	10·4	4·7	15·1	*20·3*	14·6	1,678	100·9
JULY	85·2	50·7	6·7	10·0	4·3	14·3	*19·9*	16·7	1,964	90·7
OCTOBER	90·9	46·9	7·2	9·6	4·0	13·5	*19·9*	18·7	2,200	92·7
1931										
JANUARY	75·6	37·6	6·0	9·9	4·2	14·2	*22·1*	21·5	2,614	85·1
APRIL	70·0	32·5	6·6	9·5	3·9	13·4	*21·1*	20·9	2,532	80·6
JULY	70·1	34·3	4·9	9·1	4·0	13·1	*21·3*	22·6	2,664	81·1
OCTOBER	80·7	32·8	5·3	9·0	4·1	13·1	*20·9*	21·9	2,756	90·5
1932										
JANUARY	62·3	31·1	5·2	9·6	4·2	13·8	*21·7*	22·4	2,728	
APRIL	53·5	34·8	4·6	9·0	4·0	13·0	*21·1*	21·4	2,652	91·3
MAY	55·7	30·2	4·4	8·7	3·9	12·6	*20·8*	22·1	2,741	
JUNE	57·5	29·7	4·2	8·2	3·7	11·9	*20·2*	22·3	2,747	83·2
JULY	51·9	29·3	3·3	8·8	4·5	13·3	*22·6*	22·9	2,812	
AUGUST	53·3	28·6	3·5	8·1	3·8	11·9	*20·2*	23·1	2,860	
SEPTEMBER	54·3	26·2	2·9	7·7	3·7	11·4	*18·6*	22·8	2,858	77·8
OCTOBER	60·8	30·4	3·7	8·7	4·1	12·8	*21·4*	21·9	2,747	
NOVEMBER	61·6	31·1	4·1	8·6	3·9	12·5	*20·6*	22·2	2,800	
DECEMBER	60·6	32·4	4·1	9·0	4·1	13·1	*21·5*	21·7	2,723	87·2
1933										
JANUARY	54·1	29·2	4·2	9·5	4·2	13·7	*22·4*	23·1	2,903	
FEBRUARY	49·1	27·9	4·5	8·9	4·2	13·1	*22·0*	22·8	2,857	88·2
MARCH	56·3	32·6	4·0	8·5	4·0	12·5	*21·3*	22·0	2,776	
APRIL	51·2	26·4	3·5	9·3	4·0	13·3	*22·7*	21·4	2,698	

[1] Daily averages. [2] "Country" clearings at London Clearing House. [3] Total clearings (London "Country" and Provincial) adjusted for comparative purposes, by application of Board of Trade index number of wholesale prices (1924 = 100). [4] Average of four or five weekly returns since December, 1931, figures published monthly. [5] Reprinted by courtesy of the London and Cambridge Economic Service.

AND INDUSTRY

Table VI—*cont.*

IRON & STEEL & MANUFACTURES THEREOF		MACHINERY		COTTON		WOOL		
Imports	Exports	Imports	Exports	Exports of Yarns	Exports of Piece Goods	Exports of Tops	Exports of Wool and Worsted Yarns	Exports of Wool and Worsted Tissues
Thousands of Tons	Thousands of Tons	£ thousands	£ thousands	Millions of Lbs.	Millions of Sq. Yds.	Millions of Lbs.	Millions of Lbs	Millions of Sq. Yds.
310	352	1,514	4,456	13·2	313·2	2·7	3·7	14·1
234	268	1,699	3,861	11·5	217·0	2·4	3·0	7·0
199	303	1,415	4,440	11·0	197·4	2·7	3·2	10·1
264	264	1,499	4,128	11·7	150·3	3·1	3·6	8·7
222	167	1,181	3,280	11·3	155·6	2·4	2·4	10·4
193	188	1,216	2,843	10·8	135·2	2·8	2·4	5·0
231	168	1,227	2,693	11·3	177·3	2·5	3·5	6·6
276	159	1,698	2,792	12·8	143·1	2·6	4·0	6·7
170	167	925	2,701	16·4	179·9	3·4	3·4	8·5
145	180	769	3,210	13·9	199·3	3·6	2·9	6·3
144	151	965	2,450	12·7	201·0	2·4	2·9	5·6
126	147	841	2,497	10·1	184·7	2·4	3·1	6·3
119	158	635	2,608	9·5	198·3	2·4	3·7	7·6
105	156	701	2,086	9·1	180·9	2·7	3·5	8·2
107	127	600	1,882	10·0	177·4	3·3	3·0	6·3
163	160	734	2,249	10·9	138·4	4·7	3·4	5·9
58	170	840	2,539	9·9	159·2	4·1	3·1	5·5
73	164	913	2,286	11·7	195·8	4·6	3·5	7·4
69	149	721	1,955	10·6	197·3	3·3	2·8	8·4
78	136	626	2,018	11·9	194·6	4·2	3·0	8·5
97	155	689	2,421	12·8	209·9	4·3	3·1	7·9
77	133	630	2,211	12·4	171·2	3·0	2·8	5·5

the National Federation of Iron and Steel Manufacturers.

Table VII COMMODITY PRICES

	UNITED KINGDOM			U.S.A.	GERMANY		FRANCE		ITALY[2]	
	Wholesale		[1] Cost of Living	Wholesale	Wholesale	Cost of Living	Wholesale	Cost of Living	Wholesale	Cost of Living
	Board of Trade	"Economist"	(Ministry of Labour) July	(Department of Labor)	Statistisches Reichsamt	(Statistisches Reichsamt)	(Statistique Générale)	(Statistique Générale) July		(Jan.-July)
	1913 = 100	1913 = 100	1914 = 100	1913 = 100	1913 = 100	1913/14 = 100	1913 = 100	1914 = 100	1913 = 100	1914 = 100
1930							(*b*)			(*b*)
JANUARY ..	131·0	118·5	164	133·8	132·3	151·6	576	565	453	—
APRIL ..	123·7	112·3	155	129·9	126·7	147·4	548	572	429	—
JULY	119·2	106·8	157	120·3	125·1	149·3	558	592	402	—
OCTOBER ..	113·0	99·6	157	118·3	120·2	145·4	552	597	387	—
1931				(*a*)						
JANUARY ..	106·9	91·3	152	112·8	115·2	140·4	576	590	362	—
APRIL ..	105·7	90·0	147	107·2	113·7	137·2	548	589	353	—
JULY	102·2	86·0	145	103·2	111·7	137·4	500	565	337	—
OCTOBER ..	104·4	90·1	146	100·7	107·1	133·1	457	531	330	473
1932										
JANUARY ..	105·8	90·0	147	96·4	100·0	124·5	439	534	326	470
APRIL ..	102·4	86·3	143	93·8	98·4	121·7	439		319	474
MAY	100·7	83·3	142	92·3	97·2	121·1	438	535	313	472
JUNE	98·1	80·9	143	91·5	96·2	121·4	425		304	465
JULY	97·7	82·7	141	92·4	95·9	121·5	430		300	456
AUGUST ..	99·5	85·2	141	93·4	95·4	120·3	416	517	300	455
SEPTEMBER ..	102·1	88·1	143	93·6	95·1	119·5	413		307	462
OCTOBER ..	101·1	85·3	143	92·3	94·3	119·0	412		304	465
NOVEMBER ..	101·1	85·7	143	91·5	93·9	118·8	413	516	302	468
DECEMBER ..	101·0	84·1	142	89·7	92·4	118·4	413		299	463
1933										
JANUARY ..	100·3	84·2	141	87·4	91·0	117·4	411		296	461
FEBRUARY ..	98·9	82·7	139	85·7	91·2	116·9	404	523	293	—
MARCH ..	97·6	82·3	137	86·2	91·1	116·6	390		287	—
APRIL ..	97·2	84·5	136	—	90·7	116·6	387		—	—

[1] The indices, which are for the 1st of the month, are entered for the previous month to facilitate comparison.
[2] Gold index. (*a*) Revised index. (*b*) New index.

Some National Provincial Branches

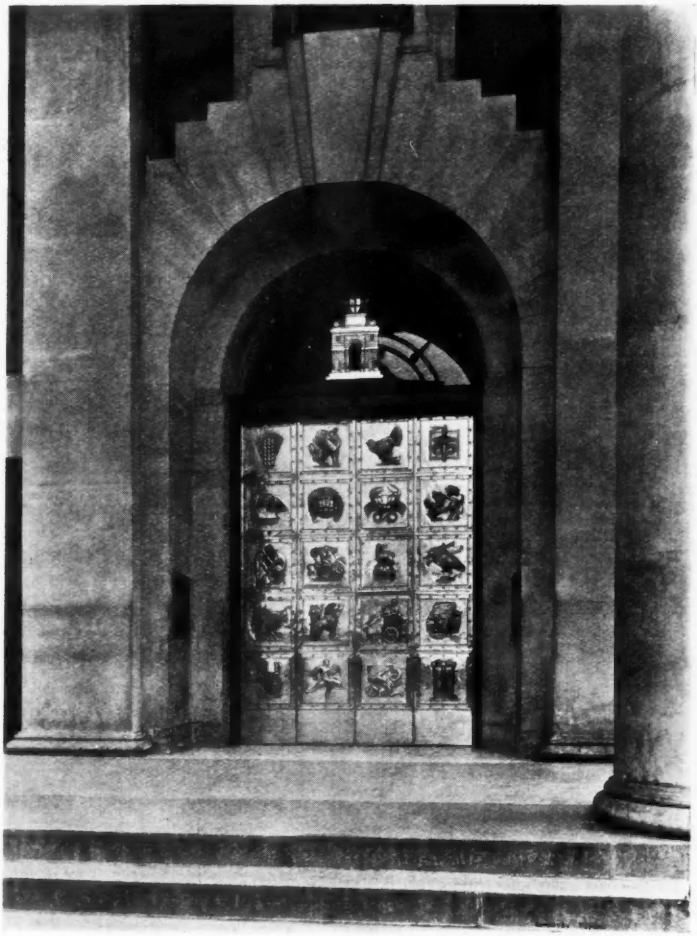
By Professor C. H. Reilly

IN the issue of THE BANKER for May, 1930, details were given of a large projected building which the National Provincial Bank was contemplating as a part of a street-widening scheme at Coventry. It was

THE COVENTRY BRANCH—GENERAL VIEW

pointed out at the time that this was a brave undertaking by the bank, as it involved a much larger block of building, to include eight shops and four large floors of offices, than the bank required. By doing it, however, the bank would not only be able to obtain control of a commanding site, but in developing it with two

porticos of great columns to give to the whole building, and incidentally to their own branch, an appearance



THE COVENTRY BRANCH—DETAIL OF ENTRANCE

of great importance. Indeed, at first glance, now that we can illustrate the actual building, and until one reads the name of the bank, one would say that the

imposing block that has resulted was the town hall or the municipal offices at least. In our still competitive world this is no doubt fair play. In a more ordered

THE READING BRANCH—AS IT WAS

state of affairs, either Fascist or Socialist, one can imagine the community setting some check upon the form of architectural expression proper to a private enterprise. Should the Mr. Selfridge of the future, for instance, be allowed to use such regal motives as the

great columns of Imperial Rome for a drapery establishment, however vast? The same sort of argument might apply, with less force certainly, to this fine Coventry

THE READING BRANCH—AS IT IS

building for a bank. Until, however, such an architectural code of civic manners is more in the air than it is at present, all one can do is to congratulate the bank on its enterprise, and the bank architects, Messrs. Palmer & Holden, on the excellent, restrained and

massive way in which they have carried it out. It looks, too, from the photograph of the completed building, that as a commercial speculation, apart from its banking purpose, the building has been a success. All the shops and most of the offices appear to be let. It must be admitted that the bank has done the thing handsomely. The big curved block with its two massive porticos, both leading to the bank, though the one in the middle of the long façade serves the offices as well, would be a valuable addition to any town, and must be an extremely valuable one to Coventry. The bank and its architects have gone further than this, however. They have taken the trouble to provide these porticos with Staybrite steel hammered doors of original and really interesting design and craftsmanship. The latter has been carried out by the Birmingham Guild. The doors illustrated, being the chief doors of the bank proper, show motifs from Greek coins, whilst the panels between the windows, which are shared by the bank and the offices, show motifs from the typical manufactures of the town, such as piston rods, sparking plugs, watch and sewing-machine movements. Detail like this, full of thought in subject matter and skill in design and modelling, adds great interest to a building, an interest which in the years to come will continue to grow. One can imagine in a couple of hundred years archæologists discussing these symbols very much as we ourselves do the decoration of a Gothic porch.

At Reading this architecturally most enterprising of banks has done another interesting thing, again conferring a great benefit on the town. It has chosen the worst modern building in the town (if not in the whole country), and has pulled two-thirds of it down, replacing that portion with a quiet Georgian façade well in character with the general spirit of the place. One wishes that the remaining third had been pulled down, too, as well as the clumsy chimney stacks, though the lesson of a quiet reserved building against a sham romantic structure in the worst Victorian taste would not then be so admirably plain to Reading as it must be to-day. I expect there are some people in Reading who regret the loss of the turret and the one sham

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half-timber gable which have gone, and think the street not nearly so picturesque without them. Education in architectural fitness has still to go a long way in this country, but in that education, as far as it has gone, the National Provincial Bank, by its care for that *genus loci*, which is nearly always present in the design of its new buildings, has done its share.

As an example of its care for the character of a town or village where it is about to build, I could not choose a better case than its Farnham branch. Farnham, in

THE FARNHAM BRANCH

Surrey, as numbers of people are fast discovering, and as the illustration of one of its two main streets shows, is a small town with a particularly fine and consistent Georgian character in the majority of its buildings, the value of which the townfolk, led by their excellent local architect, Mr. Faulkner, are beginning to appreciate. They realize that the dignity which it has inherited in this way is bringing residents to the town, just as the consistent character of the architecture of Bath does to that city. The National Provincial Bank has fallen in with this view in an admirable way. As the illustration shows, they have built a bank on the lines of the small

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Georgian Guildhall or Market one so often sees in that part of the world, a type of building which, with its flêche and solidly-hipped roof, makes an admirable termination to the long range of quiet Georgian buildings the street exhibits. The bank in this case has not only paid a graceful compliment to the spirit of the town, but also to the architect who has done so much for it, by attaching Mr. Faulkner's firm, Messrs. Faulkner & Aylwin, to their usual architects, Messrs. Palmer & Holden, for this particular building.

THE HIGH WYCOMBE BRANCH

At High Wycombe, where apparently there is such a Guildhall at the end of the street, the bank has secured a fine Georgian mansion and has adapted the interior to its purposes without even destroying the virginia creeper with which the exterior is covered, merely adding to the façade the bank's name in gilt letters of moderate size. A very admirable, dignified and important-looking branch has resulted.

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building of an entirely different kind. Here, too, there is certainly reverence for the *genus loci*. Messrs. Palmer & Holden have put up what looks like a reproduction of an

THE WHITCHURCH BRANCH

old Cheshire house in real half timber and plaster. At first sight one is inclined to condemn the building out of hand as a faked antique or at best a reproduction of an

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old building, which, to my thinking, is carrying reverence for the past so far that it becomes irreverence, the irreverence of mimicry. On the other, it may be argued, with these materials, solid oak and concrete to replace the old lath and plaster, we get a fire-proof building or at least one as fire-resisting as a steel and concrete building and far more so, of course, than an ordinary Georgian building of brick walls and wooden joists and floors. That may be true, but it certainly cannot justify the copying of ancient

INTERIOR VIEW OF THE WHITCHURCH BRANCH

forms of decoration such as the carving of the barge boards and less still the small panes of leaded lights in the windows. One cannot logically deduce, I am afraid, these amusing medieval forms from oak and concrete construction. There is obviously here an attempt, and a very successful one, to give the appearance of a real Tudor building, such as exist, though with their oak beams tarred black instead of retaining the delightful silver colour of these modern ones, in nearly all parts of Cheshire. It is no doubt good fun to do a thing like this and it needs

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considerable scholarship to do it as well as it is done here. The authors may reply that given these materials of oak and concrete the result is no more of a fake than a modern Georgian building given brick and stone or brick and painted wood. I should reply that both are false to the present day, but that the Georgian one is less so, because not only are we nearer to the Georgian period in point of time, but what is much more important, nearer to it in the way in which we use our buildings. Does the bank in this Whitchurch branch insist on the manager and his clerks wearing leathern doublets and hose, eating off pewter plates and using an abacus to count their change? This bank is good fun inside and out and much appreciated, I feel confident, as such by the more intelligent local patrons but laughed at all the same. It would, nevertheless, be extraordinarily interesting to see a modern building in oak and concrete by these clever architects. I have little doubt that it would be a really valuable contribution to the times in which we live.

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